

M A N I T O B A) Order No. 104/14
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THE PUBLIC UTILITIES BOARD ACT) September 16, 2014

BEFORE: Susan Proven, P.H.Ec, Acting Chair
The Hon. Anita Neville, P.C., B.A. (Hons.), Member

RURAL MUNICIPALITY OF WHITEWATER
L.I.D. OF MINTO
WATER AND SEWER RATES
JANUARY 1, 2015

Summary

The Public Utilities Board (Board) hereby varies revised water and sewer rates for the Rural Municipality of Whitewater (RM) LID of Minto water and sewer utility (Utility). The new rates are effective January 1, 2015.

The current rates, as established under Order No.132/08, and revised rates are noted below:

	Current	2015	Increase/Decrease
Quarterly Service Charge	\$13.00	\$26.98	108%
Water \$/cubic metre	\$2.53	\$2.53	0%
Sewer \$/cubic metre	\$0.75	\$0.75	0%
Minimum Quarterly-Water and Sewer*	\$55.64	\$69.62	25%
Sewer Only-Flat Fee per quarter	\$27.25	\$36.76	35%
Bulk Water \$/cubic metre**	\$3.80	\$4.05	7%
Reconnection Fee	\$25.00	\$50.00	100%
*Based on 13 cubic metres			
**Minimum charge is for 2 cubic metres			

Details of the revised rates are attached to this Order as Schedule "A".

Background

The RM operates a water and sewer utility in the LID of Minto serving 137 customers. There are 62 connected water and sewer customers and 75 water only customers serviced through the bulk water system.

The RM of Whitewater's original water and sewer system was built in the early 1980's. The majority of the water and sewer lines are still original, however, the water treatment plant was upgraded in 2006 and two (2) new wells were dug at this time. The system is reported to be well maintained and able to produce good quality as well as a sufficient water supply.

The RM is in compliance with its Environmental License. An operator was in the process of certification and should have been fully licensed by the end of 2013.

Application

In Board Order No. 9/13 the Board approved the recovery of the 2010 and 2011 operating deficits for the Minto Utility. The RM of Whitewater was directed to file with the Board a rate study and application for revised water and sewer rates on or before June 30, 2013. The RM filed its application on May 15, 2013. The application was accompanied by a copy of By-law No. 2013-3, read for the first time on May 8, 2013, and a rate study prepared by the RM.

A Public Notice of Application was issued on June 6, 2013, affording customers the opportunity to comment to both the Board and the Utility with respect to the proposed increases. There were no responses.

The Board has at its disposal two alternative processes to deal with rate applications; it may determine that public hearing is warranted or that a paper review process is sufficient.

The Board concluded that a paper review process, one that helps limit regulatory costs, was in the best interest of all concerned.

The initial rate study submitted contained several errors and was incomplete. The Board requested that the detailed revenue requirements be submitted for analysis on June 13, 2013. The information was provided on July 12, 2013. The audited financial statements for 2012 were provided September 20, 2013.

Two further rounds of questions regarding the application were submitted on January 14, 2014 and May 15, 2014. The final responses were received by the Board on June 12, 2014.

Deficits

The Minto Utility received approval for the 2010 and 2011 operating deficits. The Board is aware that the delay in the approval for revised water and sewer rates may result in further deficits for 2013 and 2014.

If the audited results for 2013 and 2014 show a deficit, the RM must file an application for Board approval, should the deficit exceed \$10,000 or 5% of the Utility's operating budget.

Budgeted expenditures

The rates proposed for 2013 were based on the following calculations provided in the rate study:

Revenue requirements:		
General	\$14,783	
Water	\$24,913	
Sewer	\$ 1,917	
Number of customers	137	
Water produced	14,771	
Metered water sales	5,610	
Bulk water sales	5,199	
Rates:		
Quarterly service charge	\$ 26.98	
(General revenue requirement divided by number of customers)		
Water commodity	\$ 2.31	
(Water revenue requirement divided by volume of water produced)		
Sewer commodity	\$ 0.35	
(Sewer revenue requirement divided by volume of metered water sales)		

The rate study did not provide any detailed information on the revenue requirements used in the calculation, except to say that they were based on the 2012 unaudited results.

The following detailed information regarding the revenue requirement was submitted upon request from the Board:

	2012	2013	2014	2015	2016
General					
Administration	14,783	7,045	8,000	8,000	8,000
Deficit Recovery for 2010-11	0	5,343	7,124	7,124	0
Less: Service Charges	41,610	35,000	35,000	35,000	35,000
Net revenue general	-26,827	-22,612	-19,876	-19,876	-27,000
Water expenses					
Purification and treatment	4,472	5,250	5,500	5,500	5,500
Service of Supply	5,556	4,200	4,500	4,500	4,500
Transmission and Distribution	3,316	4,000	4,000	4,000	4,000
Other Water Supply Costs	6,337	16,500	7,000	7,000	7,000
Amortization/ depreciation	3,628	3,600	3,600	3,600	3,600
Reserves	1,000	1,000	1,000	1,000	1,000
Minor capital upgrades	0	10,000	0	0	0
Total water expenses	24,309	44,550	25,600	25,600	25,600
Non-rate water revenues					
Connection Revenue	2,650	7,950	2,650	2,650	2,650
Other revenue		26,500			
Total water revenues	2,650	34,450	2,650	2,650	2,650
Net rate revenue water	21,659	10,100	22,950	22,950	22,950
Sewer expenses					
Sewage Collection System	918	5,000	5,000	5,000	5,000
Sewage Treatment and Disposal	0	0	0	0	0
Total sewer expenses	918	5,000	5,000	5,000	5,000
Net rate revenue sewer	918	5,000	5,000	5,000	5,000
Water facility - debt servicing taxation revenues	15,635	15,635	15,635	15,635	15,635

Upon questioning by the Board, it was determined that the \$35,000 "service charges" listed above represents the amount estimated to be collected through regular water and sewer bills.

The RM has not included the taxation revenues in the non-rate revenue for water, as required by Board methodology. Based on the revenue requirement information (less the "service charges")

provided by the RM, the indicated rates for the Utility would be as follows:

Revenue requirements:	2014-2016
General	\$ 8,000
Water (net revenue requirement less taxation revenues)	\$ 9,965
Sewer	\$ 5,000
Number of customers	137
Water produced	14,771
Metered water sales	5,610
Bulk water sales	5,199
Rates:	
Quarterly service charge	\$ 14.60
(General revenue requirement divided by number of customers)	
Water commodity	\$ 0.67
(Water revenue requirement divided by volume of water produced)	
Sewer commodity	\$ 0.89
(Sewer revenue requirement divided by volume of metered water sales)	

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

The RM submitted the following as its Cost Allocation Methodology.

Cost allocation policy - RM of Whitewater - Minto Utility	
Shared services and equipment	
Staff time	
	1 hour per week x 52 weeks
Postage for bills	
	64 bills x 4 quarters x postage stamp cost
Postage for bulk water	
	20 bills x 12 months x postage stamp cost
Estimated printer paper, ink, envelopes, etc	

Board Findings

The Board will vary the rates applied for by the RM. As shown above, the initial application was incomplete, and attempts made by the Board seeking clarification or missing information, resulted in further submissions which were inconsistent with what had been submitted in the rate study.

Much of the information provided in the rate study was lacking in sufficient detail to allow the Board to perform its analysis. The Board is very supportive of municipalities preparing their own rate studies. However, they must be prepared properly and with care; the lack of detailed explanation, missing or incomplete information and errors has delayed this process and wasted resources at both the Board and the municipal office.

The Board would ask that the RM and Council review this process and determine how to proceed with future rate studies to ensure that any submissions meet Board standards for rate applications. Since the rate study was submitted, the Board has released new, updated guidelines, including Excel workbooks, and Board staff are willing to assist with answering any questions that municipal staff may have regarding the process.

The analysis of the proposed expenditures and revenue requirements for 2014 to 2016 indicated the commodity rates would decrease from the current rates. Given that the Utility has experienced multiple deficits, the Board is not prepared to approve those rates. The Board has reservations in accepting the information as correct.

The Board will vary the revised rates; without a credible rate study supporting the application from the RM, the Board has determined the rates for water and sewer commodity will remain as they were set on Board Order No. 132/08. The bulk water rate will be varied to reflect the approved water rate. The Board will approve the Quarterly Service Charge as applied for in the rate study submitted May 15, 2013.

The Board will approve the Cost Allocation Methodology proposed by the RM. The Board recommends that the RM review Board Order No. 93/09, particularly "Appendix A" thereof, to determine if the RM would be better served by a revised cost allocation methodology. The Board also reminds the RM that this methodology must be used consistently in the future, and requires Board approval should any 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 (Rules). The Board's Rules may be viewed on the Board's website at www.pub.gov.mb.ca.

IT IS THEREFORE ORDERED THAT:

1. Revised water and sewer rates for The Rural Municipality of Whitewater - Local Improvement District of Minto BE AND ARE HEREBY VARIED in accordance with the attached Schedule "A", effective January 1, 2015.
2. The Rural Municipality of Whitewater - Local Improvement District of Minto shall include a notification of the rate change to its customers in the October 2014 billing.
3. The Rural Municipality of Whitewater - Local Improvement District of Minto shall submit a certified copy of its water and sewer By-law once it has been updated to reflect the changes in this Order and has received third and final reading.
4. The Cost Allocation Methodology proposed by the Rural Municipality of Whitewater - Local Improvement District of Minto BE AND IS HEREBY APPROVED.
5. The Rural Municipality of Whitewater submit a copy of its 2013 audited financial statements to the Board as soon as they are available.

6. The Rural Municipality of Whitewater - Local Improvement District of Minto 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, 2016.

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.
104/14 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"

THE LOCAL IMPROVEMENT DISTRICT NO. 1 (MINTO)

BY-LAW NO. 2013-3

SCHEDULE OF QUARTERLY RATES JANUARY 1, 2015:

1. Commodity rates per Cubic Meters

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
All water consumption	\$2.53	\$0.75	\$3.28

2. Minimum Charges, Quarterly

Notwithstanding the commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charges set out below, which will include water allowances indicated:

(a) Water and Sewer customers

Meter Size	Water Included <u>Cubic Meter</u>	Customer Service <u>Charge</u>	Commodity Charges		Total Quarterly <u>Minimum</u>
			<u>Water</u>	<u>Sewer</u>	
5/8"	13	\$26.98	\$32.89	\$9.75	\$69.62
4/5"	13	\$26.98	\$32.89	\$9.75	\$69.62

(b) Water Only Customers

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

(c) Sewer Only for Residential Customers

The Minto Utility do charge the owners or occupants of land serviced with sewer but no water the sum of \$36.76 per quarter.

3. Bulk Sales Rate

All water sold in bulk by the Minto Utility shall be charged at the rate of \$4.05 per cubic meter with a minimum charge of \$8.10.

4. Service to Customers outside Municipality, Town or L.I.D. limits

The Council of the Rural Municipality of Whitewater may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Local Improvement District No. 1 (Minto). 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 connecting to the utility's mains and installing and maintaining connections will be paid by the customer.

5. Billings and Penalties

Accounts shall be billed quarterly and shall be due and payable 30 days from date of billing. A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date. This applies to water, sewer and bulk water accounts.

6. 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. A copy of the Conditions Precedent is available for inspection at the Municipality's Office.

7. Reconnection

Any service disconnected for any reason including 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 service are a lien and charge upon the land serviced and shall be connected in the same manner in which ordinary taxes upon the land are collectible, and with like remedies.