

MANITOBA) Order No. 109/14
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THE PUBLIC UTILITIES BOARD ACT) September 22, 2014

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

VILLAGE OF WASKADA
WATER AND SEWER UTILITY RATES
OCTOBER 1, 2014

Summary

By this Order the Public Utilities Board (Board) hereby approves revised water and sewer rates for 2014 for the Village of Waskada (Village) water and sewer utility (Utility). The Board also confirms as final the water and sewer rates previously established on an interim *ex parte* basis on June 6, 2012 by Board Order No. 71/12.

The new rates are effective October 1, 2014. The current rates and revised rates are noted below:

	2012 interim rates	April 1, 2014 Current	Increase/Decrease	October 1, 2014	Increase/Decrease
Quarterly Service Charge	\$10.00	\$10.00	0.00%	\$16.10	61.00%
Water \$/1,000 gallons	\$9.00	\$11.00	22.22%	\$13.20	46.67%
Sewer \$/1,000 gallons	\$4.50	\$4.50	0.00%	\$2.34	-48.00%
Minimum Quarterly-Water and Sewer*	\$50.50	\$56.50	11.88%	\$62.72	24.20%
Minimum Quarterly- Sewer Only**	\$32.50	\$32.50	0.00%	\$27.80	-14.46%
Minimum Quarterly-Water Only*	\$37.00	\$43.00	16.22%	\$55.70	50.54%
Bulk Water \$/1,000 gallons	new	\$16.42	n/a	\$16.42	0.00%
Reconnection Fee	\$25.00	\$25.00	0.00%	\$50.00	100.00%
*Based on 3,000 gallons					
**Based on 5,000 gallons					

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

Background

The Village's utility serves 143 customers, of this 138 are water and sewer, 4 customers are water only and 1 customer is sewer only.

The Village purchases its treated water from the Southwest Regional Water Co-op (SRWC). The water source for SRWC is the Melita water treatment plant, operated under the supervision of the Manitoba Water Services Board (MWSB). There are no reported issues with colour, taste or odour of the drinking water.

The Village operates one sewage lift station and a two cell sewage lagoon system. There is said to be adequate capacity in both for any anticipated residential or commercial growth in the Village of Waskada.

The Town Foreman has started the certification process and is covering the position of operator. Time is split between the SRWC, Village and the RM of Brenda and is tracked. The Village invoices the MWSB and RM of Brenda based on actual time spent. The Town of Melita provides backup staffing as required. The MWSB supervises operation of the SRWC.

Application

The Village submitted an application for revised water and sewer rates on March 11, 2013, accompanied by a rate study prepared by the Village's consultant and a copy of By-law No. 5/2013, which had first reading on February 19, 2013.

A Public Notice of Application was issued on October 2, 2013 affording customers the opportunity to comment to both the Board the Utility with respect to the proposed increases. There were no responses to the Notice.

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.

In the case of the Village of Waskada, the Board concluded that a paper review process, which saves the Utility the cost of a public hearing, was in the best interest of all concerned.

The Village of Waskada advised the Board on March 21, 2014 that the SRWC was increasing the price of treated water from \$6.00 per 1,000 gallons to \$8.00 per 1,000 gallons, effective April 1, 2014. On May 5, 2014, the Board issued Order No. 48/14 approving pass through rates for the communities serviced by the SRWC, including the Village of Waskada. The increase of \$2.00 per 1,000 gallons was effective April 1, 2014 and applied to the water rate only. Sewer rates remained as approved in Board Order No. 71/12.

The Village also submitted a revision to its requested bulk water rate. The Village has a coin operated dispensing system for bulk water and implemented an initial rate of 30 gallons for every \$.25 or \$8.33 per 1,000 gallons. This rate was causing the Village to incur a loss on the water sold, which was then compounded when the SRWC water rates increased. The Village then increased the bulk water rate to 20 gallons per \$.25 or \$12.50 per 1,000 gallons.

The coin operated dispenser is calibrated to allow for a certain number of pulses per coin deposited into the unit, with one pulse being equal to 10 gallons. The Village sets the number of pulses dispensed per twenty five cent coin. This limits the rates that the Village can collect on bulk water to \$25.00 per 1,000 gallons (1 pulse); \$12.50 per 1,000 gallons (2 pulses); \$8.33 per 1,000 gallons (3 pulses); and so on. The Village notified the Board by email September 16, 2014 that they were requesting Board approval of a bulk water rate of \$12.50 per 1,000 gallons. The Village is currently investigating the possibility of upgrading to an electronic system.

Deficits and working capital surplus

The Village submitted the 2011 and 2012 audited financial statements to the Board for review on September 20, 2013. These statements show that the Utility experienced a deficit in each of these years. In a March 26, 2014 email exchange with the Village's consultant, the Board was advised that these audited statements included some material errors, as well as incomplete information due to the need to consolidate the SRWC's finances into the member utility's financial statements.

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 Village's working capital surplus is compliant with Board requirements at December 31, 2012:

	2012
Fund surplus/deficit	\$(24,547.00)
Deduct tangible capital assets	\$ 37,074.00
Add long term debt	\$241,150.00
Add utility reserves	\$ 3,321.00
Working capital surplus	\$182,850.00
Annual operating costs	\$ 93,308.00
20% of annual operating costs	\$ 18,661.60

Budgeted expenditures

The rates proposed were based on the following budgeted revenue requirements:

	2012	2013	2014	2015
General				
Administration	11,000	8,849	9,026	9,206
Billing and collection	2,200	0	0	0
Net revenue general	13,200	8,849	9,026	9,206
Penalties	0	0	0	0
Investment Income	100	102	104	106
Other Income	0	0	0	0
Net revenue general	100	102	104	106
Net costs general	13,100	8,747	8,922	9,100
Water				
Purification and treatment	1,000	1,020	1,040	1,061
Transmission and Distribution	10,400	10,608	10,820	11,037
Water purchases	16,369	16,696	17,030	17,371
Connection Costs	261,500	0	0	0
Amortization	1,000	1,000	1,000	1,000
Interest on long term debt	0	0	0	0
Net rate revenue - water	290,269	29,324	29,890	30,469
Sewer				
Sewage Treatment and Disposal	1,000	1,020	1,040	1,061
Lift Station Costs	3,384	3,452	3,521	3,592
Amortization	1,440	1,440	1,440	1,440
Net rate costs-Sewer	5,824	5,912	6,001	6,093

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 Board approval. The Board's requirements regarding cost allocation methodologies

can be found in Board Order No. 93/09.

The following reflects the Municipality's current Shared Cost Allocation Policy:

Village of Waskada		
Allocation Plan for Non-Direct Shared services		
		May, 2012
Category	Sub-category	Options
1.0	Administrative Staff, office, legal and audit costs	Activity Based (Note 1) 11.00%
	1.1 Billing services –meter reading to receipting and collection.	11.00%
	1.2 Accounting/ auditing/ including bylaw making and enforcement.	11.00%
	1.3 Common office space	11.00%
	1.4 Office overheads (telephone, photocopier, computer, etc)	11.00%
2.0	Operating, construction and maintenance	
	2.1 Vehicle – fuel, maintenance, lease costs, capital costs	Costs that could be charged to the Utility are minimal and at present nothing is allocated to the Utility
	2.2 Labour – full time, part time, on call, sick time, vacation, Note 2	Actual time worked is charged off to the Utility based on time sheets.
	2.3 Public works building and property.	Costs that could be charged to the Utility are minimal and at present nothing is allocated to the Utility
	2.4 Road repairs and alike (Note 3)	Based on actual costs
3.0	Major projects	
	Interest/ financing	N/A
	Labour	Based on actual costs
	External costs	Direct charge (dedicated consulting)

Board Findings

The Board will approve the application made by the Village for revised water and sewer rates to be effective October 1, 2014. The Board also confirms as final rates previously set on an interim *ex parte* basis in Board Order No. 71/12.

While the Board understands the Village's reasoning for implementing initial bulk water rates, the Village does not have the authority to set rates without the Board's approval. The Village should have requested that the Board review and vary Board Order No. 71/12 to include bulk water rates. The Board encourages the Village to consult with Board staff if ever in doubt as to reporting requirements.

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

The Village of Waskada is required to submit a copy of its 2013 audited financial statements to the Board as soon as they are available, and update the Board on the progress with having the 2011 and 2012 audited results restated.

If the audited results show a deficit, the Board will require the Village to file an application for approval, should the deficit exceed \$10,000 or 5% of the Utility's operating budget.

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. The interim rates for the Village of Waskada approved for 2012 in Board Order No. 71/12, BE AND ARE HERBY APPROVED AS FINAL.
2. Revised water and sewer rates for the Village of Waskada BE AND ARE HEREBY APPROVED in accordance with the attached Schedule "A", effective October 1, 2014.
3. The Village of Waskada shall submit a certified copy of its water and sewer By-law once it has been changed to reflect the decision in this Order and has received third and final reading.
4. The Cost Allocation Methodology proposed by the Village of Waskada BE AND IS HEREBY APPROVED.
5. The Village of Waskada submit a copy of its 2013 audited financial statements to the Board as soon as they are available.

6. The Village of Waskada review its water 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.
109/14 issued by The Public
Utilities Board

Acting Secretary

VILLAGE OF WASKADA SCHEDULE "A"
 WATER & SEWER RATES BY-LAW

<u>SCHEDULE OF QUARTERLY RATES</u>		<u>October 1,</u>	
1. <u>Rates per thousand gallons</u>		<u>2014</u>	
		Water	Total Water
		\$13.20	\$2.34 \$15.54

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) Water & Sewer Customers

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water thousand</u>	<u>Customer Service</u>	<u>Water Commodity Charge</u>	<u>Sewer Water & Sewer Commodity Total Charge Minimum</u>	<u>Water Only Quarterly Minimum</u>
5/8 inch	1	3,000	16.10	33.60	7.02 \$ 56.72	\$ 49.70
3/4 inch	2	6,000	16.10	67.20	14.04 \$ 97.34	\$ 83.30
1 inch	4	12,000	16.10	134.40	28.08 \$ 178.58	\$ 150.50
1 1/2 inch	10	30,000	16.10	336.00	70.20 \$ 422.30	\$ 352.10
2 inch	25	75,000	16.10	840.00	175.50 \$ 1,031.60	\$ 856.10

(b) Water Only Customers

Quarterly minimum charge is the same for each meter size as shown in table above, except that the Sewer Commodity charge is excluded.

(c) Unmetered Water Only Customers

Quarterly commodity charge based on 3,000 gallons per quarter, plus the service charge, shall be \$55.70

(d) Sewer Only Residential Customers

The quarterly commodity charge, based on the average residential water consumption in the community (5,000gallons) plus the service charge shall be \$ 27.80

3. Bulk Water Sales Rate

	<u>Rates per Thousand Gallons</u>
October 1, 2014	\$12.50

4. Service to Customers outside Village of Waskada limits

The Council of the Village of Waskada may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Village. 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 1/4% 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 Village 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 are available for inspection at the Village 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. Where charges and penalties pursuant to this by-law are not paid within sixty (60) days from the date when they were incurred, said charges and penalties shall be added to the taxes on the property and collected in the same manner as other taxes.

9. 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.

10. Meter Testing

Any customer wishing to have a meter tested for accuracy will pay in advance a fee of \$50, 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.

11. 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.

12. 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.

13. Change of Water or Water & Sewer

That a charge for change of water or water and sewer, excluding the initial setup of a newly connected building for the first time, 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. 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 Ovate 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,