

Order No. 123/17

**RURAL MUNICIPALITY OF OAKVIEW
LOCAL URBAN DISTRICT OF RAPID CITY
WATER and WASTEWATER UTILITY
FINAL WATER AND WASTEWATER RATES
2015 OPERATING DEFICIT RECOVERY**

November 9, 2017

**BEFORE: Marilyn Kapitany, B.Sc. (Hons), Panel Chair
Carol Hainsworth, C.B.A., Member**

Table of Contents

1.0	Executive Summary	3
2.0	Background	4
	Water- Supply/Distribution	4
	Unaccounted for water.....	4
	Wastewater- Collection/Treatment.....	4
3.0	Application.....	6
	Working Capital Surplus/Deficit	8
	2015 Operating Deficit.....	8
	Cost allocation methodology:.....	9
	Contingency Allowance	9
	Utility Reserves.....	9
4.0	Board Findings	10
5.0	IT IS HEREBY ORDERED THAT:.....	11
	SCHEDULE "A"	13

1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves as final the water and wastewater rates as applied for by the Rural Municipality of Oakview (RM) – Local Urban District (LUD) of Rapid City water and wastewater utility (Utility). These rates were previously established on an interim *ex parte* basis by Board Order No. 141/15. The Board also approves the 2015 operating deficit of \$31,997 to be recovered through a one time transfer from the Utility's accumulated surplus account.

The approved rates are as follows:

	By-law (2015-18) January 1, 2016	By-law (2015-18) January 1, 2017	By-law (2015-18) January 1, 2018
Water \$/1,000 gallons	\$26.07	\$26.77	\$27.49
Sewer \$/1,000 gallons	\$2.85	\$2.94	\$3.00
Quarterly Service Charge	\$27.12	\$28.23	\$29.19
Minimum Quarterly/ Water and Wastewater*	\$113.88	\$117.36	\$120.66
Minimum Quarterly/ Sewer Only**	\$51.35	\$53.22	\$54.69
Reconnection Fee	\$40.00	\$40.00	\$40.00
Hydrant Rental (Annual)	\$95.00	\$95.00	\$95.00
*Based on 3,000 gallons per quarter			
**Based on 8,500 gallons per quarter			

Details of other rates and charges may be found in Schedule "A" attached.

Rationale for the Board's decisions may be found under "Board Findings".

2.0 Background

The Rural Municipality of Oakview (RM) operates a public water and wastewater system located in the Local Urban District (LUD) of Rapid City. The system provides water and wastewater services to 180 water and sewer customers, and six (6) wastewater only customers for a total of 186 customers at the time the rate study was prepared.

Water- Supply/Distribution

The water system was installed in 1980 and has had various upgrades and additions. In 2014, with provincial funding, the LUD's water treatment plant installed a water pipeline from the Odanah Water Pipeline. The system is said to meet all current and future needs of the community. The LUD of Rapid City advises that there is a plan to spend \$25,000 from reserves on new piping.

Unaccounted for water

Unaccounted for water is reported at 17%, higher than the standard acceptable level of 10%. This is believed to be due to water main breaks. Going forward, in addition to the plan to spend \$25,000 on new piping, the Council has plans to install meters, shut off valves and curb stops to help control the loss of water.

Wastewater- Collection/Treatment

The wastewater system was installed in 1967. It currently provides wastewater services to the Rapid City community and meets the required needs. While various upgrades have been done to maintain it, future upgrades are needed.

The Utility is in compliance with its Environmental Licensing and the lagoon is discharged into a nearby field with no reported issues.

Lagoon access is permitted to septic tank haulers. These haulers are not billed and there are no contracts in place. The RM Council decided against charging a tipping fee since there are only two (2) haulers.

3.0 Application

The Rural Municipality of Oakview (RM) applied on September 29, 2015 for revised water and wastewater rates for the LUD of Rapid City Utility. The application was accompanied by a rate study prepared by the RM's consultant and By-law No. 2015-18 having received 1st reading on September 8, 2015. Rates were last reviewed in 2008, Board Order No. 78/08.

On November 3, 2015, the Board received Resolution No. 476/15 from the RM of Oakview. The cover letter and resolution requested that the Board consider approving the revised water and wastewater rates on an interim *ex parte* basis for the Rapid City Utility so that the increase in utility operating costs can be recovered through rates as at January 1, 2016. To consider approving interim *ex parte* rates, the Board asks that the applicant provide information showing there is an urgent need in approving the rates without the application having been fully reviewed using the Board's regular process.

The RM submitted that the utility began purchasing water from the Minto-Odanah water pipeline in November 2014. In January 2015, the Rural Municipality of Saskatchewan and the Rural Municipality of Blanshard amalgamated with the Town of Rapid City to form the Rural Municipality of Oakview. After the amalgamation, it was noted in April 2015 that the Rapid City utility needed to increase their water rates. The RM has requested this increase to meet the needs of the increased costs of purchasing water, repairs to water lines and lost water, and stated it is imperative that the rates be increased as soon as possible.

In December of 2015, the Board, which had not yet had the opportunity to review the details in the submission, determined that interim rates were in order. The Board made this decision due to the urgent need to increase revenues to avoid future deficits that may occur due to the increased operating expenses that were not reflected in the current rates being charged.

This interim approval was subject to variation upon completion of a more detailed review. The process included a requirement that a Notice of the proposed increase be provided to ratepayers. This was done in January 2016 and there was one (1) response received.

The rates were calculated based on 2014 actual expenses. The utility rate requirements are as follows:

3.50%	2014 (Actual)	2015 (Budgeted)	2016 (Forecast)	2017 (Forecast)	2018 (Forecast)
EXPENSES:					
General					
Administration	33,272.00	16,980.00	22,000.00	22,770.00	23,566.95
Water rate study fee		4,520.00			
Operator certification		75.00		75.00	
Total Expenses General	33,272.00	21,575.00	22,000.00	22,845.00	23,566.95
Water					
Staffing	-	10,500.00	11,000.00	11,385.00	11,783.48
Purification and treatment	7,590.00	5,000.00	4,480.28	4,637.09	4,799.39
Water purchases	11,202.00	75,000.00	77,534.00	80,247.69	83,056.36
Transmission and distribution	15,739.00	10,000.00	10,000.00	10,350.00	10,712.25
Other water supply costs	-	500.00	500.00	517.50	535.61
Amortization/depreciation	15,594.00	24,486.88	24,986.88	24,986.88	24,986.88
Interest on long term debt	-	-	8,397.70	7,926.67	7,438.56
Reserves	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Contingency	13,580.00	13,580.00	13,580.00	13,580.00	13,580.00
Total Expenses - Water	64,705.00	140,066.88	151,478.86	154,630.83	157,892.53
Sewer					
Sewage collection system	6,414.00	5,000.00	5,000.00	5,175.00	5,356.13
Sewage lift station	1,813.00	2,000.00	2,000.00	2,070.00	2,142.45
Amortization/depreciation	3,648.00	3,684.00	3,684.00	3,864.00	3,864.00
Interest on long term debt	799.72	410.33	-	-	-
Reserves	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Contingency	1,447.00	1,447.00	1,447.00	1,447.00	1,447.00
Total Expenses - Sewer	15,121.72	13,541.33	13,131.00	13,556.00	13,809.58
TOTAL EXPENSES	113,098.72	175,183.21	186,609.86	191,031.83	195,269.06
REVENUE:					
Water					
Connection revenue	1,100.00	1,100.00	-	-	-
Hydrant rentals	380.00	380.00	380.00	380.00	380.00
Investment income	806.00	2,339.30	2,339.30	2,339.30	2,339.30
Amortization of capital grants	9,694.93	9,694.93	9,694.93	9,694.93	9,694.93
Taxation revenues	-	-	21,391.61	21,391.61	21,391.61
Total non rate revenue water	11,980.93	13,514.23	33,805.84	33,805.84	33,805.84
Sewer					
Amortization of capital grants	274.00	274.00	274.00	274.00	274.00
Taxation revenues	8,044.30	8,044.30	-	-	-
Total non rate revenue sewer	8,318.30	8,318.30	274.00	274.00	274.00
Other revenue					
Penalties	1,027.00	1,500.00	1,500.00	1,500.00	1,500.00
Total other revenue	1,027.00	1,500.00	1,500.00	1,500.00	1,500.00
Net costs general	32,245.00	20,075.00	20,500.00	21,345.00	22,066.95
Net costs water	52,724.07	126,552.65	117,673.02	120,824.99	124,086.69
Net costs sewer	6,803.42	5,223.03	12,857.00	13,282.00	13,535.58

Working Capital Surplus/Deficit

Board Order No. 93/09 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.

As per the 2015 audited financial statements, the most recent information available, the working capital surplus at December 31, 2015 was:

	2015	2014
Fund Surplus (Deficit)	\$841,237	\$857,936
Deduct Tangible Capital Assets	\$1,066,405	\$1,403,868
Add Long-Term Debt	\$231,661	\$7,634
Add Utility Reserves	\$51,429	\$50,939
Equals Working Capital Surplus (Deficit)	\$57,922	(\$127,359)
Last year's operating costs	\$210,509	\$96,072
20% of last year's operating costs	\$42,102	\$19,214

2015 Operating Deficit

By law, Manitoba utilities are not allowed to incur deficits. In the event that a deficit does occur, the Utility is required to obtain Board approval for a recovery methodology. The Board is therefore duty bound to approve reasonable rates based on reasonable expense projections. The Board has reviewed the LUD's budgeted expenditures, and finds them to be reasonable. The Board approved the Utility's 2015 actual operating deficit of \$31,997 to be recovered through a one time transfer from the utility's accumulated cash surplus.

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 report is known as Appendix A. The Board's requirements regarding cost allocation methodologies can be found in Board Order No. 93/09.

In its application, the RM did not provide a completed Appendix "A" and reported that the utility budget includes a portion of the general operation costs. An estimated 25% of indirect overhead costs were assessed to the utility.

Contingency Allowance

A yearly contingency allowance of 1% of the capital costs has been incorporated in the rate calculations to account for unforeseen costs.

Utility Reserves

Council has requested that an annual reserve allocation of \$1,000 for each the utility reserve and the lagoon reserve be included in the rate calculations. The balance of the Utility Reserve at the end of 2014 was \$37,487 and with the allocation and investment income of 1.75% the anticipated 2019 total is \$46,063. The balance of the Lagoon Reserve at the end of 2014 was \$13,453 and with the allocation and investment income of 1.75% the anticipated 2019 total is \$19,849.

4.0 Board Findings

The Board will confirm as final the water and wastewater rates for the Rapid City Utility as previously approved in Board Order No. 141/15.

The Board will approve the recovery of the 2015 operating deficit of \$31,997 by transfer from the accumulated cash surplus account of the utility.

The Board will require the RM to provide a Cost Allocation Methodology as the allocation of 25% is reported as “estimated”.

During the Board's review, it was noted that there was an error in section 1 (Commodity rates per M.G.) of Schedule A – By-law No. 2015-18. The combined water and wastewater rates for 2016 and 2017 do not add up. The Board will require the RM to correct the By-law prior to its third reading. It should read as:

1. Commodity rates per M.G.

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
All water consumption 2016	\$26.07	\$2.85	\$28.92
All water consumption 2017	\$26.77	\$2.94	\$29.71
All water consumption 2018	\$27.49	\$3.00	\$30.49

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.pubmanitoba.ca.

5.0 IT IS HEREBY ORDERED THAT:

1. The water and wastewater rates for the Rural Municipality of Oakview-LUD of Rapid City Utility as approved on an interim basis in Board Order No. 141/15 BE AND ARE HEREBY CONFIRMED AS FINAL in accordance with the attached Schedule "A", effective January 1, 2016.
2. The Rural Municipality of Oakview amend its water and wastewater rate By-law for the LUD of Rapid City Utility to reflect the decisions in this Order and submit a copy to the Board once it has received third and final reading.
3. The actual 2015 operating deficit, when calculated for regulatory purposes, totaling \$31,997 incurred in the Rural Municipality of Oakview, L.U.D. of Rapid City Water and Wastewater Utility is HEREBY APPROVED to be recovered through transfer from the accumulated cash surplus account of the utility.
4. The Rural Municipality of Oakview is to provide notice to its customers regarding the final rates and the approved rate rider(s) in the next quarterly billing with a copy provided to the Public Utilities Board.
5. The Rural Municipality of Oakview review its allocation methodology and file a report by no later than March 1, 2018.
6. The Rural Municipality of Oakview-LUD of Rapid City Utility review its water and wastewater 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, 2019.

Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

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

"Rachel McMillin, B.Sc."

Acting Secretary

Certified a true copy of Order No. 123/17 issued
by The Public Utilities Board

Acting Secretary

SCHEDULE "A"RURAL MUNICIPALITY OF OAKVIEW
L.U.D. OF RAPID CITY
WATER AND WASTEWATER RATES
BY-LAW No. 2015-18

SCHEDULE OF QUARTERLY RATES:

1. Commodity rates per M.G.

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
All water consumption 2016	\$26.07	\$2.85	\$29.97
All water consumption 2017	\$26.77	\$2.94	\$31.17
All water consumption 2018	\$27.49	\$3.00	\$30.49

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:

2016

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
				Water	Sewer	
5/8"	1	3,000	\$27.12	\$78.21	\$8.55	\$113.88
3/4"	2	6,000	\$27.12	\$156.42	\$17.10	\$200.64
1"	4	12,000	\$27.12	\$312.84	\$34.20	\$374.16
1 1/2 "	10	30,000	\$27.12	\$782.10	\$85.50	\$894.72
2"	25	75,000	\$27.12	\$1,955.25	\$213.75	\$2,196.12

Sewer Only Customers

The Rural Municipality of Oakview do charge the owners or occupants of land serviced with sewer but no water the sum of \$51.35 per quarter based on an average of 8,500 gallons per quarter.

2017

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
				Water	Sewer	
5/8"	1	3,000	\$28.23	\$80.31	\$8.82	\$117.36
3/4"	2	6,000	\$28.23	\$160.62	\$17.64	\$206.49
1"	4	12,000	\$28.23	\$321.24	\$35.28	\$384.75
1 1/2 "	10	30,000	\$28.23	\$803.10	\$88.20	\$919.53
2"	25	75,000	\$28.23	\$2,007.75	\$220.50	\$2,256.48

Sewer Only Customers

The Rural Municipality of Oakview do charge the owners or occupants of land serviced with sewer but no water the sum of \$53.22 per quarter based on an average of 8,500 gallons per quarter.

2018

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Commodity Charges		Total Quarterly Minimum
				Water	Sewer	
5/8"	1	3,000	\$29.19	\$82.47	\$9.00	\$120.66
3/4"	2	6,000	\$29.19	\$164.94	\$18.00	\$212.13
1"	4	12,000	\$29.19	\$329.88	\$36.00	\$395.07
1 1/2 "	10	30,000	\$29.19	\$824.70	\$90.00	\$943.89
2"	25	75,000	\$29.19	\$2,061.75	\$225.00	\$2,315.94

Sewer Only Customers

The Rural Municipality of Oakview do charge the owners or occupants of land serviced with sewer but no water the sum of \$54.69 per quarter based on an average of 8,500 gallons per quarter.

3. Billings & Penalties

Accounts will be billed quarterly. The due date will be at least fourteen days after the mailing of the bills. A late payment charge of 1.25% shall be charged on the dollar amount owing after the billing due date. Additional penalties of 1.25% will be charged monthly and compounded monthly on any outstanding dollar amounts

4. DISCONNECTION AND RECONNECTION

The Public Utilities Board has approved the Condition of 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 attached as Schedule "B" and shall form part of the water and sewer By-Law. Any service disconnected due to the non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$40.00 have been paid.

5. 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 collected in the same manner in which a tax may be collected or enforced under the *Municipal Act*.

6. Hydrant Rentals

The Rural Municipality of Oakview will pay to the utility an annual rental of \$95.00 for each hydrant connected to the system, which includes the cost of water for firefighting.

7. 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 that customer for the current quarter shall be the average of the billings for the last two similar previous quarters to the same customer. If the occupant has changed, an average will be used from a similar occupancy consumption.

8. 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 special 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.

9. Water Meters

Water meters are owned by the municipality but are the responsibility of the property owner to maintain. If they are broken, frozen, etc. you will be billed for a new meter at the current cost of replacement.

10. Mobile Homes

Water meters that are under mobiles, should be brought up to the main level for easier access to read the meter and to prevent from freezing.

11. Service to customers outside the LUD of Rapid City

The Council of the Rural Municipality of Oakview 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 as set forth in paragraphs 1 and 2 of this schedule, as well as a surcharge, set by resolution of Council, which shall be equivalent to the frontage levy, and general and special taxes for Utility purposes in effect at the time, or as may be in effect from time to time, and 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 service connections will be paid by the customer.