

MANITOBA) Order No.112/13
)
THE PUBLIC UTILITIES BOARD ACT) September 23, 2013

BEFORE: Marilyn Kapitany, B.Sc. (Hons.), M.Sc., Acting Chair
The Hon. Anita Neville, P.C., B.A. (Hons.), Member

RURAL MUNICIPALITY OF ODANAH
2009 and 2010 DEFICIT APPROVALS
FINAL WATER RATES

Summary

By this Order the Public Utilities Board (Board) hereby confirms as final water rates for 2013 and 2014 for the Rural Municipality of Odanah (RM) Water Distribution System (Utility), previously established on an interim *ex parte* basis on December 12, 2012 by Board Order No. 163/12. The Board also approves the 2009 and 2010 operating deficits.

The rates are effective January 1, 2013 and 2014.

The rates are shown below.

| | 2013 | 2014 |
|------------------------------|-------------|-------------|
| Quarterly Service Charge | \$15.88 | \$16.35 |
| Water per 1,000 gallons | \$10.55 | \$10.68 |
| Minimum quarterly charge* | \$47.52 | \$48.40 |
| Bulk Water per 1,000 gallons | \$10.55 | \$10.68 |
| Reconnection fee | \$50.00 | \$50.00 |
| Hydrant Rental (Annual) | \$50.00 | \$50.00 |
| *based on 3,000 gallons | | |

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

Background

The RM operates a rural pipeline, purchasing all of its water from the Town of Minnedosa (Town), and distributing it to the customers of the Utility.

Currently, the Town of Minnedosa has rates approved by the Public Utilities Board up to and including 2013. The RM's rate study was prepared using an assumption that the Town would increase their rates starting in 2014. The Town has not applied to the Board for any increase.

The Odanah Utility operates a water treatment plant and water main system that is said to be able to meet current capacity requirements.

Since the last rate study in 2009, the RM has expanded the distribution system to include 22 more service connections. There are 146 customers who are billed quarterly of which three (3) are commercial customers that include a Seasonal Restaurant, the Waste Facility and the Pipeline Company Office. There are no plans for future expansion.

Application

The RM submitted its application in June 2012 for revised water rates for the Odanah Water Distribution System. The application was accompanied by a rate study prepared by the RM's consultant and By-law 02-12, read for the first time on May 10, 2012. Rates were last set in 2009 by Board Order No. 26/09.

A Public Notice of Application was issued on July 10, 2012 affording customers the opportunity to comment to both the Board and the Utility with respect to the proposed increases. No responses were received.

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.

In some cases, the Board can also establish interim *ex parte* rates, which are rates that are subject to review following a more complete process. The Board determined it was appropriate to do so in the case of Odanah; rates were set on an interim *ex parte* basis in Board Order No. 163/12, issued December 17, 2012.

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

The rates were based on the following budgeted expenditures:

| | 2013 | 2014 |
|---------------------------------------|-------------------|-------------------|
| <i>General</i> | | |
| Administration | 9,270.00 | 9,548.10 |
| Total General Expenses | 9,270.00 | 9,548.10 |
| Penalties | 200.00 | 200.00 |
| Net revenue general | 9,070.00 | 9,348.10 |
| <i>Water</i> | | |
| Wages and Benefits | 29,458.00 | 30,341.74 |
| Water Supply Utilities | 5,768.00 | 5,941.04 |
| Purification and treatment | 3,399.00 | 3,500.97 |
| Water Purchases | 52,050.00 | 52,870.00 |
| Other Water Supply Costs | 515.00 | 530.45 |
| Transmission and Distribution | 5,665.00 | 5,834.95 |
| Other Water costs | 5,356.00 | 5,516.68 |
| Amortization/ depreciation | 70,631.17 | 70,631.17 |
| Continuing Education | 2,575.00 | 2,652.25 |
| Contingency | 15,621.00 | 15,621.00 |
| Sub-total- water expenses | 191,038.17 | 193,440.25 |
| Investment Income | 2,500.00 | 2,500.00 |
| Total non-rate revenue - water | 2,500.00 | 2,500.00 |
| Net rate revenue - water | 188,538.17 | 190,940.25 |

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. The 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 their cost allocation methodology for Board approval September 6, 2013.

Deficits

On September 6, 2013 the RM applied to the Board for approval of the 2009 and 2010 operating deficits of \$10,374 and \$55,021, respectively.

The RM has advised the Board that the deficits were a result of the introduction of Public Sector Accounting Board (PSAB) standards and requested that the deficits be recovered from the accumulated surplus account.

The working capital surplus as of December 31 was:

| <u>Working capital surplus</u> | <u>2011</u> | <u>2010</u> |
|---------------------------------|-------------|-------------|
| Fund Surplus/Deficit | 2,611,809 | 2,669,390 |
| Deduct: Tangible Capital Assets | 2,490,845 | 2,546,088 |
| Add: Long-Term Debt | - | - |
| Add: Utility Reserves | 161,636 | 174,125 |
| Equals Working Capital Surplus | 282,600 | |

The Board requires a Utility to maintain a working capital surplus equal to 20% of annual operating expenses, which, based on the 2011 audited financial statements, would be approximately \$40,000. The Utility has a working capital surplus of \$282,600 as of December 31, 2011.

As part of the application process, the Board requested that the RM provide a copy of the most recent audited financial statements. The 2011 audited financial statements were submitted April 18, 2013. According to Schedule 9 of those statements, the Utility has experienced an operating deficit of \$74,924 for 2011. To date, the RM has not applied to the Board to have this deficit approved.

Board Findings

By this Order, the Public Utilities Board confirms as final water rates for the Odanah Water Distribution System in the Rural Municipality of Odanah, previously set in Order No. 163/12 for the years 2013 and 2014.

The rates for 2014 were calculated using an increase in the cost of purchasing water from the Town that has not been applied for nor approved by the Board; however, the impact of this increase is not material to the rates being charged.

In future, rather than estimating possible increases, the RM should consider requesting that the Board allow for pass-through increases, which would allow for an adjustment to the rates equal to any increases approved by the Board for the Town of Minnedosa without the need for a full rate study and application.

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 RM's forecasts and finds them to be reasonable.

The Board will approve the cost allocation methodology as submitted and reminds the RM that it must be used consistently and cannot be changed without Board approval.

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 interim rates for the Rural Municipality of Odanah, as set out in Schedule "A" to this Order, approved for 2013 and 2014 in Order No. 163/12, BE AND ARE HERBY APPROVED AS FINAL.
2. The cost allocation methodology BE AND IS HERBY APPROVED.
3. Rural Municipality of Odanah submit to the Public Utilities Board an application for approval for all outstanding deficits, as required by Board Order No. 151/08.
4. The Rural Municipality of Odanah 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, 2014.

Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

"MARILYN KAPITANY, B.Sc. (Hons.), M.Sc."
Acting Chair

"JENNIFER DUBOIS, CMA"
Acting Secretary

Certified a true copy of Order No.
112/13 issued by The Public
Utilities Board

Acting Secretary

**Schedule "A"
 By-Law No. 2/12**

**Schedule of Quarterly Rates:
 Year 2012**

1. Commodity Rates

All water consumption – Water \$2.29 per m³ (\$10.41 per M.G.)

2. Minimum Charges – Water Customers

a) Minimum Charges, Quarterly – Water Customers

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:

| Meter Size | Group Capacity Ratio | Water Included m ³ | Water Included Gallons | Customer Service Charge | Commodity Charge Water | Total Quarterly Minimum |
|------------|----------------------|-------------------------------|------------------------|-------------------------|------------------------|-------------------------|
| 5/8" | 1 | 13.64 | 3,000 | \$15.42 | \$31.24 | \$46.66 |
| 3/4" | 2 | 27.28 | 6,000 | \$15.42 | \$62.47 | \$77.89 |
| 1" | 4 | 54.55 | 12,000 | \$15.42 | \$124.92 | \$140.34 |
| 1 1/2" | 10 | 136.38 | 30,000 | \$15.42 | \$312.31 | \$327.73 |
| 2" | 25 | 340.96 | 75,000 | \$15.42 | \$780.80 | \$796.22 |

Note: Minimum charge will be the same for each meter size as shown above.

3. Bulk Sales Rate

All water sold in bulk by the Rural Municipality of Odanah shall be charged for at the rate of \$2.29 per m³ (\$10.41 per M.G.) on a pro-rated basis.

Year 2013

1. Commodity Rates

All water consumption – Water \$2.32 per m³ (\$10.55 per M.G.)

2. Minimum Charges – Water Customers

a) Minimum Charges, Quarterly – Water Customers

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:

| Meter Size | Group Capacity Ratio | Water Included m ³ | Water Included Gallons | Customer Service Charge | Commodity Charge Water | Total Quarterly Minimum |
|------------|----------------------|-------------------------------|------------------------|-------------------------|------------------------|-------------------------|
| 5/8" | 1 | 13.64 | 3,000 | \$15.88 | \$31.64 | \$47.52 |
| 3/4" | 2 | 27.28 | 6,000 | \$15.88 | \$63.29 | \$79.17 |
| 1" | 4 | 54.55 | 12,000 | \$15.88 | \$126.56 | \$142.44 |

| | | | | | | |
|------|----|--------|--------|---------|----------|----------|
| 1 ½" | 10 | 136.38 | 30,000 | \$15.88 | \$316.40 | \$332.28 |
| 2" | 25 | 340.96 | 75,000 | \$15.88 | \$791.03 | \$806.91 |

Note: Minimum charge will be the same for each meter size as shown above.

3. Bulk Sales Rate

All water sold in bulk by the Rural Municipality of Odanah shall be charged for at the rate of \$2.32 per m³ (\$10.55 per M.G.) on a pro-rated basis.

Year 2014

1. Commodity Rates

All water consumption – Water \$2.35 per m³ (\$10.68 per M.G.)

2. Minimum Charges – Water Customers

a) Minimum Charges, Quarterly – Water Customers

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:

| Meter Size | Group Capacity Ratio | Water Included m ³ | Water Included Gallons | Customer Service Charge | Commodity Charge Water | Total Quarterly Minimum |
|------------|----------------------|-------------------------------|------------------------|-------------------------|------------------------|-------------------------|
| 5/8" | 1 | 13.64 | 3,000 | \$16.35 | \$32.05 | \$48.40 |
| 3/4" | 2 | 27.28 | 6,000 | \$16.35 | \$64.11 | \$80.46 |
| 1" | 4 | 54.55 | 12,000 | \$16.35 | \$128.19 | \$144.54 |
| 1 ½" | 10 | 136.38 | 30,000 | \$16.35 | \$320.49 | \$336.84 |
| 2" | 25 | 340.96 | 75,000 | \$16.35 | \$801.26 | \$817.61 |

Note: Minimum charge will be the same for each meter size as shown above.

3. Bulk Sales Rate

All water sold in bulk by the Rural Municipality of Odanah shall be charged for at the rate of \$2.35 per m³ (\$10.68 per M.G.) on a pro-rated basis.

4. Service to Customers Outside Municipality

The Council of the Rural Municipality of Odanah may sign agreements with customers for the provision of water services to properties located outside the legal boundaries of the Rural Municipality of Odanah. 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 service connections will be paid by the customer.

5. Billings and Penalties

Accounts shall be billed quarterly, and shall be due and payable 30 days after the date of billing. A penalty of 1.25% of the amount of the bill shall be added if not paid by the due date. (Note: due date may be set as Council sees fit to do so.)

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 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 service 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. Hydrant Rentals

The Rural Municipality of Odanah will pay to the Utility an annual rental of \$50.00 for each hydrant connected to the system.

10. 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 previous quarters to the same customer, or to the same premises if the occupant has changed.