

M A N I T O B A) Order No. 34/14
)
THE PUBLIC UTILITIES BOARD ACT) March 25, 2014

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

**RURAL MUNICIPALITY OF BRENDA
WATER AND SEWER UTILITY
2009 DEFICIT (LID OF NAPINKA)
REVISED RATES EFFECTIVE APRIL 1, 2014**

Summary

By this Order the Public Utilities Board (Board) hereby approves revised water and sewer rates for 2014 for the Rural Municipality of Brenda (RM) water and sewer system (Utility). The Board also confirms as final rates previously established on an interim *ex parte* basis on May 25, 2012 by Board Order No. 72/12 and approves the 2009 operating deficit for the LID of Napinka Utility in the amount of \$19,890.

The rates are effective April 1, 2014.

The current interim rates, as established under Order No. 72/12, and revised rates are noted below:

	2012 Interim	2014	Increase
Quarterly Service Charge	\$10.00	\$21.46	115%
Water \$/1,000 gallons	\$9.00	\$9.00	0%
Sewer \$/1,000 gallons	\$4.50	\$9.15	103%
Minimum Quarterly - Water and Sewer*	\$50.50	\$75.91	50%
Minimum Quarterly - Water only (metered)*	\$37.00	\$48.46	31%
Water only - unmetered**	n/a	\$75.46	100%
Sewer only - unmetered***	\$23.50	\$76.36	225%
Bulk Water \$/1,000 gallons	n/a	\$13.29	100%
*based on 3,000 gallons			
**based on 6,000 gallons			
***previously based on 3,000 increasing to 6,000 gallons			

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

Background

The RM operates a water and sewer utility that serves 102 customers. There is one commercial water only customer and 101 residential customers.

Currently, the RM has rates approved on an interim *ex parte* basis by Board Order No. 72/12.

The RM of Brenda connected to the Southwest Regional Water Co-op in 2011. Prior to that, the RM had been operating a water and sewer system in the LID of Napinka. There was also a water and sewer system in the community of Medora that had been operated by a separate community group. The RM folded the new rural waterline customers from the regional water system into the existing Napinka Utility, which the RM operated. In addition, the Medora Cooperative was dissolved and folded into the RM utility. The RM did not apply to the Board for approval of this merger, as required by the *Public Utilities Board Act* (Section 82.1.h).

The Southwest Regional Water Cooperative (Co-op) supplies water to the Town of Melita, RM's of Brenda and Arthur, and the Village of Waskada. The Co-op is managed by the Manitoba Water Services Board.

The Napinka water main and low pressure sewer mains were constructed in 1983-84. The RM operates 2 two-cell lagoons, one in Napinka and one in Medora. Both lagoons discharge into Medora Creek and are noted to have sufficient capacity. The systems are stated to be in compliance with the RM's Environmental Licensing.

Application

The RM filed its application on March 15, 2013 for revised water and sewer rates. The application was accompanied by a copy of By-law No. 5-2013, read for the first time on March 13, 2013, and a rate study prepared by the RM's consultant.

A Public Notice of Application was issued on April 25, 2013, affording customers the opportunity to comment to both the Board the Utility with respect to the proposed increases. There were no responses.

The RM submitted an application for approval of the 2009 deficit for the LID of Napinka Utility on December 17, 2013.

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 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 Napinka; rates were set on an interim *ex parte* basis in Board Order No.72/12.

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

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

	2015
Administration	9,136
Less: Penalties	382
Net rate revenue - general	8,754
Transmission and Distribution	10,824
Water Purchases	15,573
Connection Costs	2,000
Amortization/ depreciation	78,648
Service of Supply	1,966
Contingency	28,903
Interest on long term debt	30,144
Expenses - water	168,058
Connection Revenue	6,000
Capital grant amortization	63,092
Property taxes	81702
Revenues - water	150,794
Net rate revenue - water	17,264
Sewage Collection System	8,750
Amortization/ depreciation	1,610
Contingency	592
Expenses - sewer	10,952
Revenues - sewer	0
Net rate revenue - sewer	10,952

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 has estimated the costs for operating the Utility to be 6.2% of total shared costs.

Deficits and working capital calculation

On December 17, 2013 the RM applied to the Board for approval of the 2009 operating deficit of \$19,890. This deficit relates to the LID of Napinka utility only, which has since merged and become part of the new RM Utility.

The Utility had a working capital deficit of \$40,211 as of December 31, 2012. The RM reports that a transfer of \$65,000 from the General Operating Fund was made to the Utility in November 2013; this transfer was to provide the working capital that the Utility needed to be viable. The RM submits that with the Utility being a combination new regional water system and old

water and sewer utility system, it would be unreasonable to attempt to recover the deficit through rates. The old system was comprised of a few regional connections, Napinka and Medora.

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 RM's working capital is not compliant with the Board's recommendations; however the rate study projects that the RM will be compliant by the end of 2015.

Board Findings

By this Order, the Public Utilities Board approves revised water and sewer rates for 2014 for the Rural Municipality of Brenda (RM) water and sewer system (Utility). The Board also confirms as final rates previously established on an interim *ex parte* basis on May 25, 2012 by Board Order No. 72/12 and approves the 2009 operating deficit for the LID of Napinka Utility in the amount of \$19,890, to be recovered by a transfer of \$65,000 from the RM's General Operating fund.

With regards to the merger of the Medora Co-op and the Napinka Utility, the Board would like the RM of Brenda to file all relevant paperwork and agreements signed through this process. The Board urges the RM to review the *Public Utilities Board Act*, and general Board Order Nos. 151/08 and 93/09 to have a better understanding of their responsibilities in reporting to the Board.

The Board will approve the revised 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.

Given the state of the RM's working capital at the end of 2012 and the fact that the revenue requirements submitted did not include a provision for rebuilding the equity or reserves, the Board will require the RM to review their rates for adequacy and submit a rate application, if necessary, on or before June 30, 2015.

The Rural Municipality of Brenda is required to submit a copy of its 2013 audited financial statements to the Board as soon as they are available.

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 Brenda BE AND ARE HEREBY APPROVED in accordance with the attached Schedule "A", effective April 1, 2014.
2. The Rural Municipality of Brenda shall submit a certified copy of its water and sewer By-law, once it has received third and final reading.
3. The Rural Municipality of Brenda shall submit all documents and agreements relating to the dissolution of the Napinka Utility and Medora Cooperative, as well as the creation of the RM Utility, on or before April 30, 2014.

4. The Cost Allocation Methodology proposed by the Rural Municipality of Brenda BE AND IS HEREBY APPROVED.
5. The Rural Municipality of Brenda submit a copy of its 2013 audited financial statements to the Board as soon as they are available.
6. The Rural Municipality of Brenda 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.
34/14 issued by The Public
Utilities Board

Acting Secretary

RURAL MUNICIPALITY OF BRENDA SCHEDULE "A"
WATER & SEWER RATES BY-LAW NO.

SCHEDULE OF QUARTERLY RATES

April 1, 2014

1. <u>Rates per 1,000 Gallons</u>	1,000 gallons per quarter		Total Water & Sewer
	Water	Sewer	
	\$9.00	\$9.15	\$18.15

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>	Group Capacity Ratio	Water Included gallons	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Water & Sewer Total Quarterly Minimum	Water Only Quarterly Minimum
5/8 inch	1	3,000	21.46	27.00	27.45	\$75.91	\$48.46
3/4 inch	2	6,000	21.46	54.00	54.90	\$130.36	\$75.46
1 inch	4	12,000	21.46	108.00	109.80	\$239.26	\$129.46
1 1/2 inch	10	30,000	21.46	270.00	274.50	\$565.96	\$291.46
2 inch	25	75,000	21.46	675.00	686.25	\$1,382.71	\$696.46

(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

The quarterly commodity charge, based on 3/4 inch meter water consumption (6,000 gallons per quarter) plus the service charge shall be \$75.46

(d) Sewer Only Residential Customers

The quarterly commodity charge, based on 3/4 inch meter consumption (6,000 gallons per quarter) plus the service charge shall be \$76.36

3. <u>Bulk Water Sales Rate</u>	Rates per <u>Thousand Gallons</u>
April 1, 2014	\$13.29

Clauses 4 to 13 are Effective April 1, 2014

4 Service to Customers outside RM of Brenda limits

The Council of the RM of Brenda 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 1/4% compounded monthly shall be charged

on the dollar amount owing after the billing due date. The due date will be at least twenty (20) 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 are 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 \$25.00 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.