

M A N I T O B A) Order No. 45/15
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THE PUBLIC UTILITIES BOARD ACT) April 28, 2015

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

**TOWN OF MELITA UTILITY
REVISED WATER AND SEWER RATES**

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Summary

By this *ex parte* Order, the Public Utilities Board (Board) approves revised sewer rates for the Town of Melita's (Town) water and sewer utility (Utility) on an interim basis.

The rates have been erroneously charged to customers since April 1, 2014 and are approved retroactive to that date. Details of the rates are shown below.

		Order 87/07
Quarterly Service Charge	\$11.38	\$11.38
Water \$/1,000 gallons (first 100,000 gallons)	\$8.75	\$6.74
Water \$/1,000 gallons (over 100,000 gallons)	\$5.10	\$3.10
Sewer \$/1,000 gallons	\$4.60	\$2.57
Minimum Quarterly - Water and Sewer*	\$41.30	\$39.31
Bulk Water** \$/1,000 gallons	\$12.00	\$9.12
Reconnection Fee	\$25.00	\$25.00
Hydrant Rental (Annual)	\$100.00	\$100.00

*Based on 3,000 gallons

**Pro-rated for all quantities greater than 500 gallons. For any quantity of 500 gallons or less the minimum charge will be \$12.00

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

Background

The Town of Melita operates a water and sewer utility. Rates were last set in Board Order No. 87/07.

The Town purchases treated water from the Southwest Regional Water Cooperative (SRWC), which is operated by the Manitoba Water Services Board (MWSB). By Board Order No. 48/14 the Board approved pass through rate increases for customers of the SRWC, including the Town of Melita, effective April 1, 2014.

The approved pass through rate included an increase of \$2.00 per 1,000 gallons of water, the exact increase in wholesale water costs approved by MWSB. Board Order No. 48/14 also outlined the approved rate revision, as well as the process for pass through rate setting:

Process for "pass through rates"

The process to be followed originally set out in Board Order No. 124/09, is as follows:

Step 1. Each municipality or cooperative shall consider the implication of any increase approved by the Board for the SRWC.

Step 2. If the cost increase is to be reflected in the rates of a municipality, and with the one exception that changes in the rate of water losses in the system may also be included, the municipality need only inform PUB and its ratepayers/customers of the "pass through" rate change.

Step 3. If rates are to change for any other reason, the municipality must make application to PUB, which may decide to proceed to hear the application by way of a paper-based process or by way of an oral public hearing.

Step 4. For such "pass through" rate changes, municipalities shall file an amended rate by-law with PUB and provide notice of the change to its customers. There will be no need for either a rate study or advance notice to customers.

The Town of Melita did not file an amended by-law with the Board as required in this process, and also increased the sewer rate without approval from the Board.

Application

On April 15, 2015 the Board was contacted by the Town's Chief Administrative Officer (CAO). The CAO indicated that during the course of the Town's 2014 audit, an error was brought to her attention regarding the pass through rate increase approved in Board Order No. 48/14.

This error consisted of two parts. One was that when the revised water rate was "passed though" as required, a by-law to reflect this change was not submitted to the Board.

The second and more critical of these errors was the increase of the sewer rate of \$2.00 per 1,000 gallons without having made application or having received Board approval. The Town did, at

the time, advise its customers of the rate increases.

Upon further review, it was determined that the Town's utility has outstanding deficits requiring application for Board approval. It is also noted that, even with the additional revenue from the unapproved sewer rate increase, a deficit is anticipated for 2014. The Board requested that the Town provide electronic copies of the 2013 audited financial statements for review. These were provided.

To remedy this situation, the Town submitted a letter with a supporting Council Resolution requesting that the Board approve the \$2.00 per 1,000 gallon sewer rate increase. The Town has hired a consultant and anticipates submitting a rate application in January 2016.

Board Findings

The Board will approve the \$2.00 per 1,000 gallon sewer rate increase, retroactive to April 1, 2014. As a rule, the Board is not a proponent of retroactive rate increases; however, it will make an exception in this case.

The Town contacted the Board asking for guidance to resolve the issue immediately upon being made aware of it. The Board is confident that the Town's error was made in good faith, and that in future, the administration will make every effort to comply with Board directives.

Given the fact that the Utility has experienced past deficits and anticipates further deficits, it is not in the ratepayers'

best interests to refund the revenue collected through the error, only to increase the amount of the 2014 deficit.

The Board will require the Town to file an amended by-law showing the changes reflected in this Order, as well as the pass through water rates approved by Board Order No. 48/14.

The 2013 audited financial statements indicate a deficit for 2013, when calculated for regulatory purposes. The Board will require the Town to file deficit applications for this and any other outstanding years, as required by Board Order Nos. 151/08 and 93/09.

While the Board is sympathetic to the resource constraints faced by the Town and other municipalities, it is concerned with the length of time that has elapsed since the Utility rates were last reviewed and the Utility has experienced deficits as a result. The Board will order the Town to submit a rate application within the time frame that they have indicated, and will not consider an extension of that due date.

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.

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IT IS THEREFORE ORDERED THAT:

1. Revised water and sewer rates for the Town of Melita, water and sewer utility, BE AND ARE HEREBY APPROVED on an interim *ex parte* basis, in accordance with the attached Schedule "A", effective April 1, 2014.
2. The Town of Melita shall submit a certified copy of its water and sewer by-law once it has received third and final reading.
3. The Town of Melita file an application for revised water and sewer rates by no later than **January 1, 2016**.
4. The Town of Melita submit deficit applications for all outstanding years, as required by Board Order Nos. 151/08 and 93/09.
5. The Town of Melita provide notice to customers of this decision as indicated herein, with a copy to be submitted to the Board.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"SUSAN PROVEN, P.H.Ec."
Acting Chair

"JENNIFER DUBOIS, CMA"
Acting Secretary

Certified a true copy of
Order No. 45/15 issued by The
Public Utilities Board

Acting Secretary

SCHEDULE "A"
THE TOWN OF MELITA
WATER AND SEWER RATES
BY-LAW NO. 1729

SCHEDULE OF QUARTERLY RATES:

1. COMMODITY RATES per M.G.

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
All water consumption First 100,000	\$8.75	\$4.60	\$13.35
Over 100,000	\$5.10	\$4.60	\$ 9.70

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	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Commodity Charges Water	Commodity Charges Sewer	Total Quarterly Minimum
5/8"	1	3,000	\$11.38	\$ 20.22	\$ 9.70	\$ 41.30
3/4"	2	6,000	\$11.38	\$53.85	\$17.45	\$82.68
1"	4	12,000	\$11.38	\$100.00	\$32.85	\$144.23
1 1/2"	10	30,000	\$11.38	\$215.60	\$79.10	\$306.08
2"	25	75,000	\$11.38	\$518.90	\$192.75	\$723.03

(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.

3. BULK SALES RATE

All water sold in bulk by the Town of Melita shall be charged for at the rate of \$12.00 per 1,000 gallons on a pro-rated basis for all quantities greater than 500 gallons. For any quantity of 500 gallons or less the minimum charge will be \$12.00.

4. SERVICE TO CUSTOMERS OUTSIDE MUNICIPALITY, TOWN, or L.I.D., LIMITS

The Council of the Town of Melita may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Town of Melita. 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 the service connections will be paid by the customer.

5. BILLINGS AND PENALTIES

Accounts shall be billed quarterly, and shall be due and payable 15 days after date of billing. A late payment charge of 1.25% shall be charged on the dollar amount owing after the billing due date. The due date will be at least fourteen (15) days after the mailing of the bills.

6. DISCONNECTION

Service may be disconnected and discontinued immediately and without further notice in the event of non-payment of the account within 30 days after due date.

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 236(1)(b) 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 ordinary taxes upon the land are collectible, and with like remedies.

9. HYDRANT RENTALS

The Town of Melita will pay to the utility an annual rental of \$ 100.00 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.

11. 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.