

M A N I T O B A) Order No. 75/15
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THE PUBLIC UTILITIES BOARD ACT) July 27, 2015

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

RIVERDALE MUNICIPALITY
REVISED WATER AND SEWER RATES
RIVERS WATER AND SEWER UTILITY
EFFECTIVE SEPTEMBER 1, 2015

Summary

The Public Utilities Board (Board) hereby varies revised water and sewer rates for the Riverdale Municipality (Municipality), Rivers Utility (Rivers). The revised rates are effective September 1, 2015. The current rates, as established under Board Order No. 114/12, and revised rates are noted below:

	Current Quarterly	Current Monthly	Sept 1 2015 (Monthly)	Increase/Decrease
Service Charge	\$30.32	\$10.11	\$11.27	12%
Water - per 1,000 gallons	\$8.75	\$8.75	\$10.15	16%
Sewer - per 1,000 gallons	\$2.26	\$2.26	\$1.48	-35%
Water & Sewer Minimum Charge*	\$63.35	\$21.12	\$22.90	8%
Sewer Only Charge	\$35.21	\$11.74	\$15.38	31%
Bulk Water**	\$12.05	\$12.05	\$10.00	-17%
Bulk Water Minimum Charge for quantities less than 500 gallons	\$6.05	\$6.05	\$5.00	-17%
Reconnection fee	\$50.00	\$50.00	\$50.00	0%
Hydrant rental (annual)	\$125.00	\$125.00	\$125.00	0%
*Based on 1,000 gallons (monthly) or 3,000 gallons (quarterly)				
**Based on 1,000 gallons pro-rated for quantities greater than 500 gallons				

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

The Board also approves, in principle, a rate surcharge to recover debenture servicing costs for the water treatment plant and lagoon projects, as outlined in the Municipality's rate study. The Municipality will be required to return to the Board for approval of specific surcharge amounts once these have been finalized.

Background

Rivers' utility system serves 523 customers; 3 water-only metered, 3 sewer-only unmetered and 517 water and sewer metered.

Water System

The water system was built in 1961, with upgrades to the system over the years. A water system study was completed in 2013 enabling the Municipality to assess its capacity requirement for future growth demands and environmental regulations that are forecast over the next ten to twenty years.

An upgrade to the water treatment system and storage is currently estimated at \$6,000,000. The Municipality expects that \$3,000,000 of the funding will come from a grant from the Manitoba Water Services Board (MWSB), \$400,000 from the Utility reserve and the balance of \$2,600,000 to be borrowed by the Municipality. The Municipal Board approved the proposed borrowing in Order No. E-15-078, issued July 9, 2015.

Sewer System

The sewer system was installed in 1961 and currently provides sewer services to the Municipality. Various upgrades have been made to the system over the years.

The Municipality's submitted capital plan indicates they anticipate spending \$5,000,000 on a lagoon upgrade project in 2016.

The Municipality expects that 2/3 of the funding will come from Infrastructure grants and the balance will be borrowed by the Municipality. At this time, the Municipality has not applied to the Municipal Board for approval for the borrowing.

Application

The Municipality filed its application for revised water and sewer rates on March 12, 2015, proposing that the rates be effective April 1, 2015. The application was accompanied by a copy of By-law No. 2015-08, which had first reading on February 24, 2015, and a rate study prepared by the Municipality's consultant. Rates were last set in 2012 by Board Order No. 114/12.

A Public Notice of Application was issued on April 1, 2015 affording customers the opportunity to comment to both the Board and Municipality with respect to the proposed increases.

The Board has at its disposal two alternative processes to deal with rate applications; it may determine that a public hearing is warranted or that a paper review process is sufficient. In the case of the Rivers utility, 21 stakeholder responses were received. The Board concluded that a public hearing process was in the best interest of all concerned.

Working capital calculation

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. As of December 2013, the Municipality's working capital surplus is compliant with Board requirements.

Working capital surplus	Riverdale-Rivers	
	2013	2012
Fund Surplus/Deficit	\$681,637	\$708,592
Deduct TCA	\$942,927	\$926,176
Add Long-Term Debt	\$ -	\$ -
Add Utility Reserves	\$482,508	\$368,829
Equals Working Capital Surplus	\$221,218	\$151,245
Operating costs	\$297,999	
20% of operating costs	\$ 59,600	

Budgeted expenditures

The Municipality submitted the following budgeted revenue requirements:

	2%	2015	2016	2017
Administration		62,628	63,881	65,158
Billing and collection		7,242	7,387	7,535
Total expenses general		69,870	71,267	72,693
Penalties		2,000	2,000	2,000
Total revenue general		2,000	2,000	2,000
Net costs general		67,870	69,267	70,693
Purification and treatment		119,697	122,091	124,533
Transmission and distribution		30,600	31,212	31,836
Connection costs		4,000	4,080	4,162
Amortization		18,553	128,553	128,553
Service of Supply		45,419	46,327	47,254
Reserves		53,267	53,267	53,267
Interest on long term debt		0	110,000	104,506
Total expenses water		271,536	495,530	494,111
Amortization of capital grants		3,702	58,702	58,702
Connection fees		200	200	200
Hydrant rentals		3,100	3,100	3,100
Total revenue water		7,002	62,002	62,002
Net costs water		264,534	433,528	432,109
Sewage treatment and disposal		13,719	13,993	14,273
Lift station costs		1,828	1,865	1,902
Amortization		12,785	12,785	112,785
Reserves		46,733	46,733	46,733
Interest on long term debt		0	0	50,666
Total expenses sewer		75,065	75,376	226,359
Amortization of capital grants		3,218	3,218	69,885
Sewer tipping fees		5,000	5,000	5,000
Total revenue sewer		8,218	8,218	74,885
Net costs sewer		66,847	67,158	151,474

The rate application requested that the Board approve revised rates for April 1, 2015 based on the 2017 projections. These projections include the expense associated with debenture servicing for both the water treatment plant and the lagoon projects, as well as a provision for \$100,000 per year to be transferred to reserves.

Recovery of debenture servicing costs

The debenture servicing costs were submitted as part of the total revenue required. When these costs are isolated, the impact on rates is shown below:

Annual costs (2017)	WTP	Lagoon
Amortization expense	110,000	100,000
Less: Amortization of capital grants (offseting the expense)	55,000	66,667
Interest on long term debt expense	104,506	50,666
Total debenture servicing costs to be recovered through rates	159,506	83,999
Commodity price for the projects:		
Divided by total water sold (22,660)/ww returned to sewer (20,306)	\$ 7.04	\$ 4.14

Reserves

The impact on rates for the provision of \$100,000 per year for reserves is shown below:

	Current \$20,000		Proposed \$100,000	
	WTP	Lagoon	WTP	Lagoon
Total annual provision for reserves	\$10,660	\$ 9,340	\$53,267	\$46,733
Divided by total water sold (22,660)/ww returned to sewer (20,306)	\$ 0.47	\$ 0.46	\$ 2.35	\$ 2.30

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 Municipality submitted the following cost allocation methodology:

Administration		
CAO	5%	
Assistant Administrator	25%	
Municipal Clerk	65%	
Billing services	Actual costs	
Audit	\$ 1,000	
Office space	\$ 6,500	
PP&S and delegate travel	Actual costs	
Operations		
Vehicle	Tracked and billed	
Labour	Tracked and billed	
Road repairs	Tracked and billed	
Major projects		
Interest/financing	Debenture debt and reserves	
Labour	Tracked and billed	
External costs	Direct charge (dedicated consulting)	

Public Response and Hearing

The Board received 21 stakeholder responses to the Notice of Application.

A Notice of Public Hearing was issued on May 25, 2015 and the Hearing was held on June 15, 2015 in Rivers. There were approximately 50 stakeholders in attendance.

The Hearing began with opening remarks and the Mayor made a presentation on behalf of the Municipality, which he advised was a condensed version of the presentation made at the Borrowing By-law Hearing held May 28, 2015. The Board was advised that it was a positive meeting and that ratepayers realize that the system is aged. The Municipality is planning to move from a quarterly to a monthly billing cycle in an effort to help people manage the rate increase.

The rate increase is primarily to support the upcoming upgrades to the lagoon and the water treatment plant, as well as to rebuild the reserves and working capital surplus. The Municipality plans to withdraw \$400,000 from reserves for the water treatment plant (WTP) project, which will put the Municipality below the Board's recommended 20% working capital surplus position.

The presentation addressed a number of concerns that were found in the written responses received by the Board.

There were concerns that the Municipality had chosen to spend

money on a recreation facility instead of the WTP, and it was clarified that the Municipality was not aware of the significant deficiencies in the WTP until they received an engineering report in June 2013. Up to that point, the Municipality believed the lagoon was the priority project, but the WTP took precedence after the report was received by Council.

The following concerns/questions were voiced at the hearing:

- If Council had considered other options, such as an aquifer, rather than the WTP project
- If the rates would continue to increase at a similar rate in future years
- If out of boundary stakeholders were paying into the system to support the services they use when they come into the Town

There were several ratepayers who spoke up in favour of including the cost of borrowing in the rates, rather than collecting it on property taxes.

Board Findings

The Board will vary the application made by the Municipality for revised water and sewer rates.

The rate study included a provision of \$100,000 per year for reserves, as did the previous rate study submitted in 2012. In Board Order No. 114/12 the Board reduced that provision to \$20,000, stating: *"Reserves are generally not intended to fund major projects as proposed by the Town. Building these requirements into reserve provisions places an unfair burden on current ratepayers who would effectively be paying for capital projects which should be supported over time by the ratepayers that will benefit from those projects. Major capital projects are more appropriately funded through borrowings."*

The Board asked the Municipality to provide the rationale for once again requesting \$100,000 per year in reserves, given the Board's decision in Order No. 114/12. The Municipality responded that the provision is to rebuild the reserve, which will be reduced by \$400,000 after the WTP project, to improve the Utility's working capital position and allow for those reserve funds to assist in contributing to the future capital costs.

The Board agrees that the working capital position will need to be rebuilt after the \$400,000 withdrawal from reserves; however the Board still disagrees with a provision of \$100,000 and finds that this would still place an unfair burden on current ratepayers for the reasons outlined in Board Order No. 114/12. The Board will reduce the provision for reserves from \$100,000 to \$20,000 per year. This has been calculated using the same

allocation provided in the rate study, with 53.3% (\$10,660) allocated to water and 46.7% (\$9,340) to sewer.

The Board will approve, in principle, the addition of a surcharge to the utility rates for the servicing of the utility debentures for the WTP and lagoon projects.

The Board will not approve any specific surcharge amounts at this time, pending the completion of the projects and finalization of the debenture servicing requirements. At that time, the Municipality should return to the Board with the specific information with respect to the debentures including a request for specific surcharge amounts for the project(s).

The Municipality should also include a Notice in the next billing cycle, advising customers of the pending rate increases, providing the most up to date information about the projects and costs. The Board should be provided a copy of any Notices provided.

The Board will approve the cost allocation methodology, and reminds the Municipality that this methodology must be used consistently in the future, and requires Board approval should any future changes be considered.

The Riverdale Municipality is required to submit a copy of its 2014 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 Riverdale Municipality Rivers Utility BE AND ARE HEREBY APPROVED in accordance with the attached Schedule "A", effective September 1, 2015.
2. The Riverdale Municipality shall submit a certified copy of its water and sewer By-law once it has been updated to reflect the decisions in this Order, and received third and final reading.
3. The proposal to assess a surcharge on utility rates to recover debenture servicing costs in relation to the water treatment plant and lagoon projects for the Rivers Utility is approved in principle, with the Riverdale Municipality to return to the Public Utilities Board with final debenture servicing costs and surcharge proposals for final approval.
4. The Riverdale Municipality provide Notice of the pending surcharges in relation to the water treatment plant and

lagoon projects to the customers of the Rivers Utility, with a copy to the Public Utilities Board.

5. The Cost Allocation Methodology proposed by the Riverdale Municipality for the Rivers Utility BE AND IS HEREBY APPROVED.
6. The Riverdale Municipality submit a copy of its 2014 audited financial statements to the Board as soon as they are available.
7. The Riverdale Municipality 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 September 1, 2019.

Fees payable upon this Order - \$1,500.00

THE PUBLIC UTILITIES BOARD

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

"JENNIFER DUBOIS, CPA, CMA"
Acting Secretary

Certified a true copy of
Order No. 75/15 issued by
The Public Utilities Board

Acting Secretary

**SCHEDULE "A"
 RIVERDALE MUNICIPALITY
 By-Law -2015-08
 RIVERS WATER & SEWER UTILITY RATES**

SCHEDULE OF MONTHLY RATES

September 1, 2015

1. Rates per 1,000 gallons

1,000 gallons per month

Water	Sewer	Total Water & Sewer
\$10.15	\$1.48	\$11.63

2. Minimum Charges per Month

Notwithstanding the rates set forth in paragraph 1, all customers will pay the applicable monthly minimum charges set out below, which includes the water allowance as listed.

a. **Water & Sewer Customers**

Meter Size	Group Capacity Ratio	Minimum Monthly Consumption	Customer Service Charge	Water	Sewer	Monthly Minimum Charge (Water & Sewer)	Monthly Minimum Charge (Water Only)
3/4"	1	1,000	\$11.27	\$10.15	\$1.48	\$22.90	\$21.42
1"	2	2,000	\$11.27	\$20.30	\$2.96	\$34.53	\$31.57
2"	13	12,500	\$11.27	\$126.88	\$18.50	\$156.65	\$138.15
3"	23	22,500	\$11.27	\$228.38	\$33.30	\$272.95	\$239.65
4"	45	45,000	\$11.27	\$456.75	\$66.60	\$534.62	\$468.02

b) **WATER ONLY CUSTOMERS:**

The minimum charge will be the same for each meter size as shown above but the Sewer Commodity Charge will be excluded.

c) **SEWER ONLY FOR RESIDENTIAL CUSTOMERS:**

The Riverdale Municipality will charge a flat rate monthly amount of \$15.38 to the owners or occupants of land serviced with sewer but no water.

3. **BULK SALES:**

All water sold in bulk by the Riverdale Municipality will be charged at the rate of \$10.00 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 \$5.00.

4. SERVICE TO CUSTOMERS OUTSIDE TOWN LIMITS:

The Council of Riverdale Municipality may sign Agreements with customers for the provision of water and sewer services to properties located outside the boundaries of Rivers. 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 the 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 the Community boundaries. In addition, all costs of connecting to the Utility's mains, and installing and maintaining, will be paid by the customer.

5. BILLINGS AND PENALTIES:

Accounts shall be billed monthly and the due date shall be at least 14 days after the mailing of the bills.

A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date.

6. DISCONNECTION:

The Public Utilities Board has approved the Conditions Precedent to be followed by the Town with respect to 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 Town'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 and sewer services 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 CHARGES:

Riverdale Municipality shall pay to the Utility an annual hydrant charge of \$125.00 for each hydrant connected to the System. In addition, Riverdale Municipality will pay for water used for firefighting.

10. WATER ALLOWANCE DUE TO LINE FREEZING:

Where, at the request of Council, a customer is allowed to run water 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 billings for the last two quarters for the same customer, or the same premises if the occupant has changed.

11. SEWER SURCHARGES:

a) There may be levied annually, in addition to the 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 waste.

12. CROSS CONNECTIONS

No customer or person shall connect, cause to be connected or allow to remain connected any piping, fixture, fitting, container or appliance in a manner which under any circumstances may allow water, wastewater or any harmful liquid or substance to enter the Town's water system.

If a condition is found to exist which, in the opinion of the Town, is contrary to the aforesaid, the Town may either:

Shut off the service or services; or

Give notice to the customer to correct the fault at his or her own expense within a specified time period.

13. AUTHORIZATION FOR OFFICER TO ENTER UPON PREMISES

The Public Works Manager, or other employee authorized by the Town in the absence of the Public Works Manager, shall be authorized to enter upon any premise for the purpose of:

Affixing to any pipe, wire or apparatus connected with any such utility, a meter or any other measuring or testing device; or taking readings from, repairing, inspecting or removing any meter or apparatus belonging to the Town.