

Order No. 110/17

**RURAL MUNICIPALITY OF MOUNTAIN
LOCAL URBAN DISTRICT of MAFEKING
FINAL WATER RATES and 2014 DEFICIT RECOVERY**

October 17, 2017

**BEFORE: Shawn McCutcheon, Member, Panel Chair
Sharon McKay, B.G.S, Member
Susan Nemec, FCPA, FCA, Member**

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1.0 Executive Summary

By this Order, the Public Utilities Board (Board) confirms as final water rates as applied for by the Rural Municipality of Mountain (RM) – Mafeking Water Distribution Utility (Utility). These rates were previously established on an interim *ex parte* basis by Board Order No. 23/16. Board Order No. 131/16 varied Board Order No. 23/16 to include the statement that commodity based charges are to come into effect the quarter following completion of the metering project, with no less than 30 days notice to ratepayers. The Board also approves the 2014 operating deficit of \$8,769 to be recovered by rate rider over three (3) years.

The approved rates are as follows:

	By-law (05-15) Apr 1, 2016	By-law (05-15) Oct. 1, 2016	By-law (05-15) July 1, 2017	By-law (05-15) July 1, 2018
<i>NON METERED RATE</i> (1 REU)	\$104.81			
Quarterly Service Charge	\$26.70	\$26.70	\$27.23	\$27.78
<i>METERED RATES</i> Water* \$/m ³		\$5.84	\$5.96	\$6.08
Minimum Quarterly Charges	\$131.51	106.12**	108.29**	110.47**
Bulk Water per 1,000 gallons	\$20.00	\$20.00	\$20.00	\$20.00
Bulk Water per gallon (1)	\$0.25	\$0.25	\$0.25	\$0.25
Hydrant Rental (Annual)	\$100.00	\$100.00	\$100.00	\$100.00
Reconnection Fee	\$50.00	\$50.00	\$50.00	\$50.00

*Previously charged by Residential Equivalency Unit (REU) \$75.77 per REU plus \$26.70 for Minimum Quarterly Charge of \$102.47 (1 REU)

**Based on 13.6 cubic meters-(Metered rate only)

NB Rate Rider from BO No. 144/13 \$20.75 per customer, per quarter for 3 years effective January 1, 2014

NB Rate Rider from BO No 120/14 \$15.49 per customer, per quarter for 3 years effective October 1, 2015

NB Rate Rider from BO No. 110/17 \$10.91 per customer, per quarter for 3 years effective January 1, 2018

The rationale for the Board's decision is found under "Board Findings".

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

2.0 Background

The Mafeking Water Distribution Utility is a small water system located in the Local Urban District (LUD) of Mafeking and serves a population of approximately 100 people. At the time the rate study was prepared, the Utility had 67 unmetered customers which include: 58 residential and 9 commercial customers.

The RM advises that the number of Residential Equivalency Units (REUs) assigned is 90, one REU being the volume of water estimated to be used by the average single family residence. Units allocated to other customers are based on estimated water they will use, as compared with a residence. REUs are used in communities with unmetered distribution and collection systems, where information regarding actual consumption is unavailable.

The RM reported that it intended to proceed to install water meters in 2016 and would be completed by October of 2016. In September 2017, the RM has since advised that the metering project has not been started as tendering for the work has to be completed.

Water System – Distribution and Treatment

The system consists of two wells, including a primary and stand by well, a water treatment plant and distribution system. The water system obtains raw water from the primary groundwater supply well and a standby well constructed in 1991 and 1992. The system is not in compliance with the Drinking Water Safety Act (DWSA) regarding pathogen removal. There is \$20,000 in capital expenditures planned for the installation of an Ultraviolet disinfection system with funding from the Utility Reserve.

The water treatment process consists of chlorination and reservoir storage prior to distribution. The distribution system is made of PVC pipeline installed in 1991-1992. The water treatment plant is classified as a Class 1 facility and small system for the water distribution system. The water treatment plant operator is certified for small system water distribution and level 1 water treatment.

The Mafeking Utility system is unmetered at present and unaccounted for water cannot therefore be calculated. The Board anticipates the RM providing this information in the next rate application as the metering project should be completed and this information should be available.

3.0 Application

The RM of Mountain applied on October 1, 2015 for revised water rates for the Mafeking Utility. The application was accompanied by a rate study prepared by the RM's consultant and By-law No. 05/15 having received 1st reading on November 18, 2015. Rates were previously set in 2013 by Board Order No. 144/13.

At the same time, the RM also submitted Council Resolution No. 439/15 requesting interim *ex parte* rates. The reason for this was to mitigate any further deficits to the Utility as it was experiencing operating shortfalls.

In February of 2016, the Board, which had not yet had the opportunity to review the details in the submission, determined through Board Order No. 23/16 that an interim *ex parte* rate was in order. The Board made this decision due to the urgent need to increase revenues to avoid further deficits to the Utility. 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 increases be provided to ratepayers. A Notice of Application was issued on February 23, 2016 and two (2) responses were received. It is of note that one response was a petition which included approximately 45 names.

The RM advised that residential equivalency units (REUs) are currently in use for this utility, one REU being the volume of water estimated to be used by the average single family residence. Units allocated to other customers are based on estimated water they will use, as compared with a residence. REUs are used in communities with unmetered distribution and collection systems, where information regarding actual consumption is unavailable.

By-law No. 05/15 includes unmetered and metered rates (to be enforced once the metering project is completed). The RM requested unmetered interim rates be effective for April 1, 2016 and the metered rates from By-law No. 05/15 be effective on October 1, 2016, July 1, 2017 and 2018. On February 17, 2016 the Board issued Order 23/16 setting interim rates effective April 1, 2016 (unmetered), October 1, 2016 and July 1, 2017 and 2018 (metered).

The rates set for April 1, 2016 were set on a flat rate basis using residential equivalency units, with the remaining rates being set on a commodity (or per cubic meter) basis, in anticipation of the completion of a metering project in the community.

On October 5, 2016 the RM advised the Board that the metering project was not completed and likely wouldn't be completed until the spring of 2017. The RM requested that the PUB amend the effective date of the commodity based rates approved in Board Order No. 23/16 to be effective following completion of the metering project, rather than on a specific date. The Board approved the RM's request to vary the effective date of the commodity based rates for the Mafeking Utility and issued Board Order No. 131/16 (varying Board Order No. 23/16).

Board Order No. 131/16 confirmed that the flat rates approved effective April 1, 2016 will remain in effect until the commodity based charges come into effect the quarter following completion of the metering project, with no less than 30 days notice to ratepayers.

Utility Rate Requirements are:

2%	2014 (Actual)	2015 (Budgeted)	2016 (Forecast)	2017 (Forecast)	2018 (Forecast)
EXPENSES:					
General					
Administration	9,010	7,260	7,405	7,553	7,704
Water General					
Purification and Treatment	24,096	24,700	25,794	25,698	26,212
Service of Supply	0	3,650	3,723	3,797	3,873
Water Amortization	13,074	13,074	14,022	14,022	14,022
Total Expenses	46,180	48,684	50,944	51,070	51,811
REVENUE:					
Water					
Water fees	46,714	33,000	40,874	45,317	46,236
Bulk water fees	1,293	1,300	1,500	1,700	1,700
Other					
Hydrant rentals	900	900	900	900	900
Connection charges	100	100	150	150	150
Penalties	290	250	250	250	250
Other revenue	0	*37,932	0	0	0
Total Revenue	49,297	73,482	43,674	48,317	49,236
Net Operating Surplus	3,117	-	-	-	-
Transfers to reserve funds	-11,886	-	-	-	-
Net revenue/(expenses)	-8,769	24,798	-7,270	-2,753	-2,575

*Funding from Manitoba Hydro through the Manitoba Hydro Community Developments Initiative Program for communities affected by bi-pole

Actual 2014 Operating Deficit

By law, Manitoba utilities are not allowed to incur deficits. In the event that a deficit does occur, the Utility is required by *The Municipal Act* to obtain Board approval for both the deficit and recovery methodology. The Board is therefore duty bound to approve reasonable rates based on reasonable expense projections.

The RM has incurred several deficits throughout the past years. Board Order No. 104/12 required a rate rider for 2009, 2010 and 2011 total deficit recovery of \$18,462 by a rate rider of \$95 per customer, per year for the term of three (3) years effective July 1, 2012.

Board Order No. 144/13 required a rate rider for 2012 deficit recovery of \$16,704 by a rate rider of \$83 per customer, per year for the term of three (3) years, effective January 1, 2014.

Board Order No.120/14 required a rate rider for 2013 deficit recovery of \$12,455 by a rate rider of \$15.49 per customer, per quarter for a period of three (3) years, effective October 1, 2015 and ends October 2018.

On November 5, 2015, the RM applied for approval of the recovery of the 2014 operating deficit of \$8,769. The deficit is reportedly a result of amortization expenses. The RM has requested another rate rider be considered in order to maintain Reserve Funds for capital upgrades which include the planned funds for the UV disinfection required for the system. The RM included Council Resolution No. 304/15 requesting the Board consider the recovery over three (3) years at \$2,923 or \$10.91 per customer per quarter.

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 2014 audited financial statements, the working capital surplus at December 31, 2014 was:

	2014
Fund Surplus/Deficit	\$ 342,120
Deduct TCA	\$ 331,210
Add Long-Term Debt	\$ -
Add Utility Reserves	\$ 23,510
Equals Working Capital Surplus	\$ 34,420
last year's operating costs	\$ 46,180
20% of last years operating costs	\$ 9,236

4.0 Board Findings

When reviewing an application, the Board has at its disposal two approaches, either a paper or a public hearing review. After the publication of the Notice of Application, the Board will consider the application and stakeholder responses, and determine which method of review is most appropriate.

The Board acknowledges the letter dated March 9, 2016 from a ratepayer, with an attached petition of 45 signatures, requesting a public meeting to discuss the installation of water meters and new rates. However, the Public Utilities Board has no jurisdiction regarding the installation of water meters only rate setting.

Whenever reasonable, the Board will review the application using a paper review process, which saves the cost of a public hearing process. The Board has chosen this option for this application. The Board finds that the rates set in Board Order No. 23/16 on an interim *ex parte* basis and varied in Board Order No. 131/16 to be reasonable.

The Board will confirm as final the water rates for the LUD of Mafeking utility as previously approved on an interim *ex parte* basis in Board Order No. 23/16 and varied in Order No. 131/16. Thus confirming the flat rates approved effective April 1, 2016 will remain in effect until the commodity based charges come into effect in the quarter following completion of the metering project, with no less than 30 days notice to ratepayers.

The Board will approve the recovery of the 2014 operating deficit of \$8,769 by rate rider. The deficit will be recovered by a rate rider of \$10.91 per customer, per quarter for a period of three (3) years, commencing January 1, 2018.

The current Cost Allocation Policy was approved in Board Order No. 144/13 and remains in effect. The Board reminds the RM that this methodology must be used consistently and requires Board approval should any changes be considered.

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.

5.0 IT IS THEREFORE ORDERED THAT:

1. The water rates for the Rural Municipality of Mountain for the L.U.D. of Mafeking Utility, as approved on an interim basis in Board Order No. 23/16 and varied in Board Order No131/16 BE AND ARE HEREBY CONFIRMED AS FINAL.
2. The Rural Municipality of Mountain amend its water by-law for the Mafeking Utility to reflect the decisions in this Order and submit a copy once it has received third and final reading.
3. The actual 2014 operating deficit, when calculated for regulatory purposes, totaling \$8,769 incurred in the Rural Municipality of Mountain, L.U.D. of Mafeking Water Distribution Utility is HEREBY APPROVED to be recovered by a rate rider of \$10.91 per customer, per quarter for a period of three (3) years, commencing January 1, 2018.
4. The Rural Municipality of Mountain 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 Mountain review the Mafeking Utility's 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 December 31, 2019.
6. The Rural Municipality of Mountain must advise the Public Utilities Board of the completion of the metering project, the subsequent effective date of the commodity rates and provide a copy of the notice given to ratepayers.

Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

"SHAWN MCCUTCHEON"
Panel Chair

"RACHEL MCMILLIN, B. Sc."
Acting Secretary

Certified a true copy of Order No. 10/17 issued
by The Public Utilities Board

Acting Secretary

1"	4	54.4	\$27.23	\$324.22	\$351.45
2"	25	340.0	\$27.23	\$2,026.40	\$2,053.63

3. Bulk Water sales

Truck fill rate shall be charged at the rate of \$20.00 per 1,000 gallons. Pail fill rate shall be \$.25 per gallon.

SCHEDULE OF QUARTERLY RATES

July 1, 2018

1. Rates per Cubic Meter

Cubic Meter per Quarter

Water

\$6.08

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.

Water & Sewer Customers

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption	Customer Service Charge	Water	Quarterly Minimum Charge (Water Only)
5/8"	1	13.6	\$27.78	\$82.69	\$110.47
3/4"	2	27.2	\$27.78	\$165.38	\$193.16
1"	4	54.4	\$27.78	\$330.75	\$358.53
2"	25	340.0	\$27.78	\$2,067.20	\$2,094.98

3. Bulk Water sales

Truck fill rate shall be charged at the rate of \$20.00 per 1,000 gallons. Pail fill rate shall be \$.25 per gallon.

The Following Clauses are Effective April 1, 2016

4. In accordance with PUB Order # 144/13 a rate rider for deficit recovery of \$20.75 per customer per quarter for 3 years effective January 1, 2014. PUB Order # 144/13 states: "The actual 2012 operating deficit of \$16,704 incurred in the Rural Municipality of Mountain – LUD of Mafeking Water Distribution Utility, for the purposes set out herein, is HEREBY APPROVED to be recovered by a rate rider of \$83 per customer, per year for the term of three (3) years, effective January 1, 2014."

In accordance with PUB Order # 120/14 a rate rider for deficit recovery of \$15.49 per customer per quarter for 3 years effective October 1, 2015. PUB Order #120/14 states:

"The actual 2013 operating deficit, when calculated for regulatory purposes, totaling \$12,455 incurred in the Rural Municipality of Mountain – LUD of Mafeking Water Distribution System is HEREBY APPROVED be recovered by a rate rider of \$15.49 per customer, per quarter for a period of three (3) years, commencing October 1, 2015;"

5. Service to Customers outside L.U.D. of Mafeking limits

The Council of the Rural Municipality of Mountain may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the L.U.D. 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.

6. Billings and Penalties

Accounts shall be billed quarterly based on water used. A late payment penalty charge of 1 ¼% 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.

7. Disconnections
The Public Utilities Board has approved the Conditions Precedent to be followed by the Rural 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 Rural Municipal office.
8. 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.
9. 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.
10. Hydrant Rentals
An annual charge of one hundred dollars (\$100.00) per hydrant shall be made by the said utility to the L.U.D. of Mafeking for fire protection services, which annual charge shall include water used.
11. Rural Municipality to be Notified of Failure of Meter
In the case of breakage, stoppage or irregularity in a water meter, the customer shall notify the Designated Officer immediately upon such condition being discovered. All installation, repair and disconnection of any water meter shall be performed only by those authorized to do such work by the municipality.
12. Meter Testing
Any customer wishing to have a meter tested for accuracy will pay in advance a fee of \$100, 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.
13. 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.
14. 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 Rural Municipality's water system.

If a condition is found to exist which, in the opinion of the Rural Municipality, is contrary to the aforesaid, the Rural Municipality 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. If the customer fails to comply with such notice the Rural Municipality shall proceed in accordance with clause 4 of this by-law.
15. Authorization for Officer to Enter Upon Premises
The Public Works Foreman, or other employee authorized by the Rural Municipality in the absence of the Public Works Foreman, 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 Rural Municipality.
16. Actual Turn Off/On of Water Service
That the charge for physically turning on a water service shall be \$50.00