

Order No. 113/17

**RURAL MUNICIPALITY OF MOUNTAIN
LOCAL URBAN DISTRICT OF BIRCH RIVER
FINAL WATER and WASTEWATER RATES**

October 24, 2017

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

Table of Contents

1.0	Executive Summary.....	3
2.0	Background	3
	Water System and Wastewater – Collection/Treatment	4
3.0	Application.....	4
	Actual 2014 Operating Deficit	6
	Working Capital Surplus/Deficit	8
4.0	Board Findings	8
5.0	IT IS THEREFORE ORDERED THAT:.....	9

1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves as final the water and wastewater rates as applied for by the Rural Municipality of Mountain (RM) – Birch River water and wastewater utility (Utility). These rates were previously established on an interim *ex parte* basis by Board Order No. 21/16. Board Order No. 132/16 varied Board Order No. 21/16 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 \$40,174 to be recovered through a rate rider over five years.

The approved rates are as follows:

	By-law (06-15) April 1, 2016	By-law (06-15) Oct. 1, 2016	By-law (06-15) July 1, 2017	By-law (06-15) July 1, 2018
<i>NON METERED RATES</i> (1 REU-Water only)	\$100.85			
<i>NON METERED RATES</i> (1 REU-Water/Sewer)	\$120.60			
Quarterly Service Charge	\$31.02	\$31.02	\$31.64	\$32.27
<i>METERED RATES</i> Water* \$/cubic meter/Quarter		\$3.85	\$3.93	\$4.01
<i>METERED RATES</i> Sewer* \$/cubic meter/Quarter		\$0.75	\$0.77	\$0.79
Minimum Quarterly Charges - Water only	\$131.87	83.38**	85.09**	86.81**
Minimum Quarterly Charges - Water/Sewer	\$151.62	93.58**	95.56**	97.55**
Bulk Water per 1,000 gallons	\$20.00	\$20.00	\$20.00	\$20.00
Lagoon Tipping Fee/ 1,500 gallon tank	\$15.00	\$15.00	\$15.00	\$15.00
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) \$70.92 per REU (Water), \$47.06 per REU (Wastewater) plus \$29.76 for Minimum Quarterly Charge of \$147.74 (1 REU)-NON METERED

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

NB Rate Rider from BO No. 160/12 \$16,256 annually for 5 years effective January 1, 2013

NB Rate Rider from BO No. 113/17 \$8,034.80 annually for 5 years effective January 1, 2018

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

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

2.0 Background

The Rural Municipality of Mountain operates a public water system located in the Local Urban District (LUD) of Birch River. The system supplies water to a population of approximately 350 people which include: 120 customers consisting of 74 unmetered water only customers, 3 sewer only and 43 unmetered water and sewer customers at the time the rate study was prepared. The RM advises the number of Residential Equivalency Units (REUs) is comprised of 59 water and sewer and 83 water only and 3 sewer only. 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 which would be completed by October of 2016. In October 2016, the RM provided an update and advised that the metering project will not be completed until spring 2017. 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 and Wastewater – Collection/Treatment

The water system is comprised of two wells, a water treatment plant and distribution system. One well, located inside the Water Treatment Plant (WTP), supplies a truck fill. The second well supplies the distribution system and the community.

The water treatment plant is classified as a small water treatment plant facility. The treatment process involves chlorination directly into the distribution system with no reservoir storage. The operator is certified for level 1 water treatment and level 1 water distribution.

The sewage effluent from the lagoon is discharged via irrigation on RM owned land. The sewage lagoon is in compliance with its environmental license.

The Birch River 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 December 22, 2015 for revised water and wastewater rates for the Birch River Utility. The application was accompanied by a rate study prepared by the RM's consultant and By-law No. 06/15 having received 1st reading on December 16, 2015. Rates were previously set in 2012 by Board Order No. 160/12 and revised in Board Order No. 98/13.

At the same time, the RM also submitted Council Resolution No. 471/15 requesting interim *ex parte* rates to mitigate any further deficits to the Utility as it is currently experiencing operating shortfalls.

In February of 2016, the Board, which had not yet had the opportunity to review the details in the rate application, determined through Board Order No. 21/16 that an interim rate was in order. The Board made this decision due to the urgent need to increase revenues to avoid continuing future Utility deficits. 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 17, 2016 and no responses were received.

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. 06/15 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 be effective on October 1, 2016, July 1, 2017 and 2018. On February 16, 2016 the Board issued Board Order No. 21/16 setting interim rates effective April 1, 2016 (unmetered), and 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. 21/16 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 Birch River Utility and issued Board Order No. 132/16 (varying Board Order No. 21/16).

Board Order No. 132/16 confirmed that the flat rates approved are effective April 1, 2016 and 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	19,715	12,700	12,954	13,213	13,477
Water					
Purification and Treatment	51,715	11,000	15,000	15,300	15,606
Transmission and distribution	10,430	35,480	36,190	36,913	37,652
Serviced of Supply	0	5,000	5,100	5,202	5,306
Water Amortization	13,625	13,625	15,551	28,051	28,051
Interest on long term debt	0	0	0	31,250	30,423
Sewer					
Collection system costs	1,739	0	0	0	0
Treatment and disposal cost	10,551	10,000	10,200	10,404	10,612
Lift station costs	1,909	2,000	2,040	2,081	2,122
Sewer Amortization	36,009	36,009	36,009	36,009	34,471
Interest on long term debt	26,799	25,566	24,263	22,885	21,428
Total Expenses	172,492	151,380	157,307	201,308	199,148
REVENUE:					
Water					
Bulk water fees	7,822	16,000	16,000	16,000	16,000
Sewer					
Lagoon tipping fees*	14,715	700	0	0	0
Water and Sewer fees	85,423	67,300	73,151	77,898	79,519
Transfer from Gen Optg Property Taxes – water				44,481	44,481
Transfer from Gen Optg Property Taxes – water	48,326	48,326	48,326	48,326	48,326
Other					
Hydrant rentals	1,700	1,700	1,700	1,700	1,700
Connection charges	80	80	0	0	0
Penalties	508	400	400	400	400
Other revenue	0	**77,068	0	0	0
Total Revenue	158,574	211,574	139,577	188,805	190,426
Net Revenues (Deficit)	-13,918	-	-	-	-
Transfers to reserve funds	-26,256	-	-	-	-
Net revenue/(expenses)	-40,174	60,194	-17,730	-12,503	-8,722

*Lagoon tipping fee. These fees were a result of an agreement with an adjacent First Nation community that ended in 2014 due to lack of capacity in the lagoon.

**Funding from Manitoba Hydro through the Manitoba Hydro Community Development 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. 160/12 required a rate rider for 2009, 2010 and 2011 total deficit recovery of \$81,280 by a rate rider of \$16,256 per year for the term of five (5) years. The rate rider in progress for the 2009, 2010 and 2011 deficits will end in 2017.

On November 5, 2015, the RM applied for approval of the recovery of the 2014 operating deficit of \$40,174. The operating deficit is reportedly a result of a new operator, training costs, a major line break and approximately \$50,000 in amortization expenses.

The RM has requested another rate rider be considered over five (5) years to ease the financial burden for utility customers. The RM included Council Resolution No. 303/15 requesting the Board consider the recovery over five (5) years at \$8,034.80 per year or \$16.74 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 at December 31, 2014 was:

	2014
Fund Surplus/Deficit	\$ 1,113,903
Deduct TCA	\$ 1,708,649
Add Long-Term Debt	\$ 446,039
Add Utility Reserves	\$ 52,653
Equals Working Capital DEFICIT	-\$ 96,054
last year's operating costs	\$ 172,492
20% of last years operating costs	\$ 34,498

4.0 Board Findings

The Board will confirm as final the water and wastewater rates for the LUD of Birch River utility as previously approved on an interim *ex parte* basis in Board Order No. 21/16 and varied in Order No. 132/16. 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 \$40,174 by rate rider. The deficit will be recovered by a rate rider of \$8,034.80 per year for the term of five (5) years, commencing January 1, 2018.

The Board has reviewed the Utility's working capital projections and finds the rates to be reasonable in addressing the working capital deficiency, but reminds the RM that this is dependant on the metering project being completed sooner rather than later.

The current Cost Allocation Policy was approved in Board Order No. 160/12 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 and wastewater rates for the Rural Municipality of Mountain for the L.U.D. of Birch River Utility, as approved on an interim basis in Board Order No. 21/16 and varied in Board Order No132/16 BE AND ARE HEREBY CONFIRMED AS FINAL.
2. The Rural Municipality of Mountain amend its water and wastewater by-law for the Birch River 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 \$40,174 incurred in the Rural Municipality of Mountain, L.U.D. of Birch River Water and Wastewater Utility is HEREBY APPROVED to be recovered by a rate rider over the next five (5) years, in the amount of \$8,034 per year, 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 Birch River utility's water and wastewater 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.113/17 issued
by The Public Utilities Board

Acting Secretary

**RURAL MUNICIPALITY OF MOUNTAIN – LUD OF BIRCH RIVER
WATER and SEWER RATES BY-LAW NO. 06/15
SCHEDULE "A"**

SCHEDULE OF QUARTERLY RATES

April 1, 2016

Non-Metered

1. **Rates per Residential Equivalency Unit (REU)** Water- \$100.85
Sewer- \$120.60

Quarterly Service Charge	\$31.02
Minimum Quarterly Charge – Water	\$131.87
Minimum Quarterly Charge – Sewer	\$151.62

2. **Bulk Water sales**
The charge for bulk water sales shall be at the rate of \$20.00 per thousand gallons of water.

SCHEDULE OF QUARTERLY RATES

October 1, 2016

Metered

3. **Rates per Cubic Meter**

	<u>Cubic Meter per Quarter</u>		
	Water	Sewer	Water & Sewer
	\$3.85	\$.75	\$4.60

4. **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.

Minimum Quarterly Charges

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption	Customer Service Charge	Water	Sewer	Quarterly Minimum Charge (Water /Sewer)
5/8 inch	1	13.6	\$31.02	\$52.36	\$10.20	\$93.58
3/4 inch	2	27.2	\$31.02	\$104.72	\$20.40	\$156.14
1 inch	4	54.4	\$31.02	\$209.44	\$40.80	\$281.26
2 inch	25	340.0	\$31.02	\$1,309.00	\$255.00	\$1,595.02

5. **Bulk Water sales**
The charge for bulk water sales shall be at the rate of \$20.00 per thousand gallons of water.

SCHEDULE OF QUARTERLY RATES

July 1, 2017

1. **Rates per Cubic Meter**

	<u>Cubic Meter per Quarter</u>		
	Water	Sewer	Water & Sewer
	\$3.93	\$.77	\$4.70

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.

Minimum Quarterly Charges

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption	Customer Service Charge	Water	Sewer	Quarterly Minimum Charge (Water /Sewer)
5/8 inch	1	13.6	\$31.64	\$53.45	\$10.47	\$95.56
3/4 inch	2	27.2	\$31.64	\$106.90	\$20.94	\$159.48
1 inch	4	54.4	\$31.64	\$213.79	\$41.89	\$287.32
2 inch	25	340.0	\$31.64	\$1,336.20	\$261.80	\$1,629.64

3. **Bulk Water sales**
The charge for bulk water sales shall be at the rate of \$20.00 per thousand gallons of water.

SCHEDULE OF QUARTERLY RATES

July 1, 2018

1. **Rates per Cubic Meter**

	Water	Sewer	Water & Sewer
	\$4.01	\$.79	\$4.80

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.

Minimum Quarterly Charges

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption	Customer Service Charge	Water	Sewer	Quarterly Minimum Charge (Water /Sewer)
5/8 inch	1	13.6	\$32.27	\$54.54	\$10.74	\$97.55
3/4 inch	2	27.2	\$32.27	\$109.07	\$21.49	\$162.83
1 inch	4	54.4	\$32.27	\$218.14	\$42.98	\$293.39
2 inch	25	340.0	\$32.27	\$1,363.40	\$268.60	\$1,664.27

3. Bulk Water sales

The charge for bulk water sales shall be at the rate of \$20.00 per thousand gallons of water.

The Following Clauses are Effective April 1, 2016

4. Lagoon Tipping Fees

In accordance with PUB Order No. 98/13, the charge for dumping waste at the Birch River Lagoon will be set as follows:

- \$15.00 per 1,500 gallon tank
- \$30.00 per 3,000 gallon tank

5. In accordance with PUB Order # 160/12 a rate rider for deficit recovery which states: "The deficits for the year of 2009 of \$35,818, \$18,889 in 2010 and \$26,573 in 2011 for a total of \$81,280 are HEREBY APPROVED to be recovered by a rate rider over the next five years, in the amount of \$16,256 per year as requested in Resolution No. 387/12."

6. Service to Customers outside L.U.D. of Birch River 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.

7. 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.

8. 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 are available for inspection at the Rural Municipal office.

9. 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.

10. 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.

11. 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 Birch River for fire protection services, which annual charge shall include water used.

12. 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.

13. 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.

14. 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.

15. 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 1 of this section.

16. 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.

17. Actual Turn Off/On of Water Service

That the charge for physically turning off, or on, a water service shall be \$50.00