

Order No. 15/17

**AN ORDER RESPECTING THE TOWN OF NEEPAWA
WATER AND WASTEWATER RATES
JULY 1, 2017, 2018 and 2019**

February 2, 2017

**BEFORE: Robert Gabor, Q.C., Chair
The Hon. Anita Neville, P.C., B.A. (Hons.), Member
Allan Morin, B.A., ICD.D, Member**

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1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board or PUB) approves revised water and wastewater rates for the Town of Neepawa (Town) as follows, effective July 1, 2017, 2018 and 2019.

	July 1, 2017	July 1, 2018	July 1, 2019
Water - first 450m ³ per quarter	\$2.32	\$2.34	\$2.36
Water - over 450m ³ per quarter	\$1.26	\$1.29	\$1.32
Wastewater - per m ³	\$1.20	\$1.31	\$1.40
Quarterly Service Charge	\$18.75	\$19.25	\$19.75
Minimum quarterly - water & wastewater*	\$68.03	\$70.35	\$72.39
Bulk Water-per cubic meter	\$2.65	\$2.69	\$2.72
Reconnection	\$50.00	\$50.00	\$50.00
Hydrant Rental Charge	\$250.00	\$250.00	\$250.00
*based on 14m ³			

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

Rationale for the PUB's decisions may be found under "Board Findings on the Issues".

2.0 The Issues

Two issues were identified by the Board:

Issue 1 – The Town has requested revised water and wastewater rates.

Issue 2 – The Town has requested approval of the cost allocation methodology

3.0 Background

The utility has over 32,000 metres of water mains of various sizes. Approximately 97% of the lines are at least 30 years old and consist of cast iron pipe, the majority having been installed in the 1950's.

There are currently 185 hydrants connected to the utility. With planned expansion and development the Town is including the addition of two new hydrants annually from 2016 to 2018. In May 2011, the Town switched over to the new water source at Hummerston & Oberon. The Oberon well site is located roughly 19 kms south of Neepawa and has a pumping capacity of 45 litres per second. The Hummerston well site is roughly 24 kms southeast of Neepawa with a pumping capacity of 60 litres per second.

The original water treatment plant (WTP) was commissioned in 1962 and upgraded in 1995 and 2012. There were changes to the water process in 2013, which now allow treatment by way of reverse osmosis. Water is now treated at a rate of up to 75 litres per second.

There are two reservoirs at the plant; one is under the original 1962 plant, the second was added in 1995. The storage volumes are 587 and 670 cubic metres for a total available storage of 1,277 cubic metres. The Town's water tower also provides additional storage of 2,180 cubic metres, increasing the water storage capacity to 3,457 cubic metres.

The Town reported water losses of 12% in 2012, improving to less than 6% in 2014, within normal operating parameters of a mature utility.

Wastewater is collected through sewer mains which are similar in age to the water mains, 30 plus years old. This gravity collection system is predominantly vitrified clay tile (VCT) pipe, with newer developed areas having polyvinyl chloride (PVC) pipe. As required and afforded, the Town replaces VCT with PVC pipe. The Town utilizes a closed circuit television program to video record the condition of the sewer system, reviews this information and prioritizes replacement or relining accordingly.

The Town's sewer empties into a facultative three cell lagoon system. Discharges from the lagoon flow into the Whitemud River, consistent with the terms of the Town's environmental license. The Town owns and operates four lift stations within the sewage collection system with a further four stations under private ownership.

In October 2010, the Town, in partnership with the Province of Manitoba and HyLife Foods/R3 Innovations (HyLife) (then Springhill Farms LP), opened an Industrial Wastewater Treatment Facility (IWWTF) for HyLife's sole use. HyLife is no longer connected to the Town's main sewer system, and therefore is no longer subject to the sewer rate. HyLife covers the costs of operating and maintaining the IWWTF, however still relies on the Town's lagoon system on occasion, as back up.

The Town has noted that it may be faced with upgrades to the lagoons in the very near future, even without consideration for emergency discharges from HyLife. To prepare for the current and future growth, the Town is undertaking the construction of a new trunk sewer line. This new forcemain will not only service a new development, but serve to re-direct sewage from the west-end of Town thus alleviating concerns with the volume of sewage impacting the lines through the core of the residential area. This project is estimated at a value of \$3.5 million and will be conducted in two phases. A new lift station will also form part of the project. The Town intends to fund this project through the reserve fund, with 2/3's being covered by the provincial and federal government under the Small Communities Fund of the New Building Canada Fund.

Recognizing the necessity to increase lagoon capacity, the Town has begun discussions with Manitoba Water Services Board to assist with the capital planning for this project, subsequent to the completion of the new trunk sewer project.

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

A public hearing process allows the Utility and stakeholders the opportunity to present the application and any concerns to the PUB in person. The PUB may review the application using a paper review process, which saves the cost of a public hearing process. The PUB has decided to process this application with a paper-based review.

4.0 Application

The Town of Neepawa has sought approval from the PUB for revised water and wastewater rates, as set out in By-law No. 3145. The application was submitted October 29, 2015 and requested that the rates be effective January 1, 2016, 2017 and 2018. The Town had previously submitted applications in both 2011 and 2013, which were subsequently withdrawn by the Town.

A Public Notice of Application was issued on November 16, 2015 affording customers the opportunity to comment to both the Board and Town with respect to the proposed increases. The Board received two responses to the Notice, both of which requested that the new rates be phased in over a longer period of time than proposed by the Town.

The Town's submission acknowledged that the current rates are adequate to continue to meet the financial obligations of the Utility and augment the Utility's reserve; though during the review process the Town discovered errors in how costs were being allocated from the general operations of the Town to the Utility.

In light of the two previous applications to the PUB, which were withdrawn, the Town has committed to reducing/collapsing its four step water and two step wastewater rate structure. The application included a request for a two step structure for water and a single rate for wastewater.

The Town submits its proposed rates:

- Reflect sufficient revenue to maintain a safe water supply and promote conservation;
- Take into account the necessity to protect the environment by not losing sight of the commitment to addressing wastewater concerns and infrastructure requirements;
- Support self-sufficient utility operations;
- Incorporate funding to ensure capital utility requirements can be met in a timely fashion;
- Are competitive with other jurisdictions; and
- Provide the capacity for future growth.

The Town acknowledges the following will impact water and sewer charges for users of the utility:

- Change in rate structure from four steps to two steps (water);
- Correctly allocating costs to each respective component of the utility;
- Necessity to meet the required accounting standards under the Public Sector Accounting Board (PSAB) for the inclusion of amortization expense for capital assets and grants in rate calculations; and
- Significant community growth premising the necessity to focus on capital infrastructure investment in the current and immediate future.

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 most recent audited statements available, working capital surplus for the Utility at December 31 was:

	2014
Fund Surplus	\$21,963,321
Deduct tangible capital assets	\$25,930,501
Add long term debt	\$ 4,276,386
Add utility, lagoon & sewer reserves	\$ 1,766,441
Equals Working Capital Surplus/Deficiency	\$ 2,075,647
Annual operating costs	\$ 1,944,839
Target: 20% of annual operating costs	\$ 388,968

5.0 Board Findings on the Issues

Issue 1 – The RM has requested revised water and wastewater rates.

The Board has reviewed the application and the projections presented by the Town in its rate application and the information provided subsequently in response to PUB queries.

The Board finds that the revenue estimates provided are acceptable and will approve the rates as requested. The rates proposed by the Town with an effective date of January 1, 2016 (Year One rates) will be effective July 1, 2017, Year Two rates will be effective July 1, 2018 and Year Three rates will be effective July 1, 2019.

The Board is generally not supportive of retroactive rate increases, and approves them only in circumstances where it is in the best interest of all parties. The Town itself has acknowledged that the current rates are adequate to support operations, and the Utility's working capital position indicates a strong financial position. Therefore, there is no urgent need to increase rates, and the Board will allow several months for implementation, which will allow those customers of the Town of Neepawa who act as resellers to adjust prices, make application to regulatory bodies as required and notify customers.

The Town requested a special rate for the RM of North Cypress-Langford (NCL) that was calculated as the average of the domestic and wholesale rate (production costs plus 50% of distribution costs). This proposed rate was not contained in the By-law, and as such did not form part of the Notice of Application. In response to PUB inquiries, the Town provided copies of the Town's Agreement to supply water to NCL, as well as the letter dated October 27, 2015 from the Town to the Reeve and Council of NCL advising of its intention to file application and the proposed changes to the rates for NCL. The PUB did not receive any response from NCL on the proposed rates. The PUB was also advised by the Town that NCL did not provide any response to the letter sent in October 2015 or the Notice of Application.

The Board will remind the RM of North Cypress-Langford that it must apply to the PUB for approval of any rate increases stemming from the Board's approval of the Town of Neepawa's revised rates. This Order does not include any provision for flow-through rate increases.

With respect to the concerns of the two stakeholders that responded to the Notice, while appreciative of their comments, the Board interprets the lack of response from the majority of ratepayers as indicating support for the Town's proposal, particularly given the length of time since the last rate increase. The Town must act in the best interest of all its customers.

The increases required can be considered to be rate shock, something that is common where rate requirements are not addressed for significant periods of time. In the case of the Town of Neepawa, it has been six years since a rate change has taken place. Consumers are generally more tolerant of regular, smaller increases.

As of the date of this Order, the Town's 2015 audited financial statements are still not available for review. The Town needs to be more diligent in the timely preparation of audited financial statements.

Issue 2 – The Town has requested approval of the cost allocation methodology

The PUB 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 PUB for approval and cannot be changed without receiving approval from the PUB. The PUB's requirements regarding cost allocation methodologies can be found in Board Order No. 93/09.

The Town submitted the following cost allocation methodology for approval. Administration salary and benefits are to be allocated to the Utility based on the following percentages:

Legal	10%
Legislative	10%
Office	10%
Staff & audit	18%

The Board will approve the cost allocation methodology as applied for, and reminds the Town that any changes to this policy must be approved by the Board prior to implementation.

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. The Board's Rules may be viewed on the Board's website at www.pub.gov.mb.ca.

6.0 IT IS THEREFORE ORDERED THAT:

1. Revised water and wastewater rates for the Town of Neepawa Utility BE AND ARE HEREBY APPROVED in accordance with the attached Schedule "A", effective July 1, 2017, 2018 and 2019.
2. The Town of Neepawa is to provide a notice to its customers, including the decisions found in this Order, in the next quarterly billing with a copy provided to the Public Utilities Board.
3. The cost allocation methodology for shared services and equipment as submitted by the Town of Neepawa BE AND IS HEREBY APPROVED.
4. The Town of Neepawa submit a copy of its water and wastewater rate By-law to the Public Utilities Board once it has been revised to reflect the changes found in this Order, and received third and final reading.
5. The Town of Neepawa review its 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 July 1, 2020.

Fees payable upon this Order - \$750.00

THE PUBLIC UTILITIES BOARD

"Robert Gabor, Q.C."

Chair

"JENNIFER DUBOIS, CPA, CMA"

Acting Secretary

Certified a true copy of Order No. 15/17
issued by The Public Utilities Board

Acting Secretary

THE TOWN OF NEEPAWA
SCHEDULE "A" - WATER & SEWER RATES

BY-LAW NO. 3145

July 1, 2017

1. COMMODITY RATES – WATER & SEWER – PER CUBIC METRE

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
First 450 C.M. Per Quarter	\$2.32	\$1.20	\$3.52
Over 450 C.M. Per Quarter	\$1.26	\$1.20	\$2.46

2. MINIMUM CHARGE PER QUARTER – WATER & SEWER

Meter Size (Inches)	Minimum Quarterly Consumption	Service Charge	Water	Sewer	Minimum Quarterly Charges
5/8	14	\$18.75	\$32.48	\$16.80	\$68.03
3/4	27	\$18.75	\$62.64	\$32.40	\$113.79
1	55	\$18.75	\$127.60	\$66.00	\$212.35
1 1/4	140	\$18.75	\$324.80	\$168.00	\$511.55
2	341	\$18.75	\$791.12	\$409.20	\$1,219.07
3	614	\$18.75	\$1,250.64	\$736.80	\$2,006.19
4	1,227	\$18.75	\$2,023.02	\$1,472.40	\$3,514.17
6	2,319	\$18.75	\$3,398.94	\$2,782.80	\$6,200.49

July 1, 2018**1. COMMODITY RATES – WATER & SEWER – PER CUBIC METRE**

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
First 450 C.M. Per Quarter	\$2.34	\$1.31	\$3.65
Over 450 C.M. Per Quarter	\$1.29	\$1.31	\$2.60

2. MINIMUM CHARGE PER QUARTER – WATER & SEWER

Meter Size (Inches)	Minimum Quarterly Consumption	Service Charge	Water	Sewer	Minimum Quarterly Charges
5/8	14	\$19.25	\$32.76	\$18.34	\$70.35
3/4	27	\$19.25	\$63.18	\$35.37	\$117.80
1	55	\$19.25	\$128.70	\$72.05	\$220.00
1 1/4	140	\$19.25	\$327.60	\$183.40	\$530.25
2	341	\$19.25	\$797.94	\$446.71	\$1,263.90
3	614	\$19.25	\$1,264.56	\$804.34	\$2,088.15
4	1,227	\$19.25	\$2,055.33	\$1,607.37	\$3,681.95
6	2,319	\$19.25	\$3,464.01	\$3,037.89	\$6,521.15

July 1, 2018**1. COMMODITY RATES – WATER & SEWER – PER CUBIC METRE**

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
First 450 C.M. Per Quarter	\$2.36	\$1.40	\$3.76
Over 450 C.M. Per Quarter	\$1.32	\$1.40	\$2.72

2. MINIMUM CHARGE PER QUARTER – WATER & SEWER

Meter Size (Inches)	Minimum Quarterly Consumption	Service Charge	Water	Sewer	Minimum Quarterly Charges
5/8	14	\$19.75	\$33.04	\$19.60	\$72.39
3/4	27	\$19.75	\$63.72	\$37.80	\$121.27
1	55	\$19.75	\$129.80	\$77.00	\$226.55
1 1/4	140	\$19.75	\$330.40	\$196.00	\$546.15
2	341	\$19.75	\$804.76	\$477.40	\$1,301.91
3	614	\$19.75	\$1,278.48	\$859.60	\$2,157.83
4	1,227	\$19.75	\$2,087.64	\$1,717.80	\$3,825.19
6	2,319	\$19.75	\$3,529.08	\$3,246.60	\$6,795.43

3. LAGOON TIPPING FEES

Fees for Within the Boundaries of the Town of Neepawa		
	Residential	Commercial
Yearly	60.00	240.00
Per Use Fee	12.00	48.00

Outside the Town of Neepawa Boundaries		
	Residential	Commercial
Yearly	150.00	600.00
Per Use Fee	30.00	120.00

Potential Additional Commercial Classes			
	Resident	Non-Resident	
	Annual	Annual	Per Use
Fees shall not be < than:	\$60.00	\$150.00	\$60.00
Fees shall not be > than:	\$480.00	\$900.00	\$240.00

Industrial customer rates will be established on the merits of each case, taking into account the number of estimated annual visits and volume.

4. WATER ONLY CUSTOMERS

Under all sections of the above referred to in clauses 1 and 2, a consumer having only water service shall pay a minimum charge made up of the service charge plus the water commodity charge.

5. SEWER ONLY CUSTOMERS

Users of Town sewage who discharge water and wastewater into the Town's sewage system, and who obtain their water supply from other than the Town of Neepawa, are required to meter their water supply at their own expense and shall be billed for sewage on the water meter reading at rates set forth in Paragraph 1 plus the quarterly service charge as per clauses 2. The minimum billing shall be based on 14 cubic meters per quarter plus the service charge.

6. BULK SALE OF WATER

Bulk sales of water at the public works facility shall be charged at a rate of:

July 1, 2017 - \$2.65 per cubic meter

July 1, 2018 - \$2.69 per cubic meter

July 1, 2019 - \$2.72 per cubic meter

7. SEWER SURCHARGES

(a) There will be levied annually, in addition to rates set forth above, a special surcharge on sewage having a Biochemical Oxygen Demand (B.O.D.) in excess of 300 parts per million in the amount of .40 cents per 100 pounds of B.O.D.

(b) A special surcharge for substance requiring special treatment shall be charged on the actual costs of treatment required for the particular sewage or industrial wastes.

8. HYDRANT RENTALS

Municipal hydrant rentals shall be set at \$250.00 per hydrant per annum which includes water for firefighting purposes.

Privately owned hydrants that are direct extensions of the Town's internal water distribution system shall be subject to an annual connection fee of \$250.00 per hydrant.

9. SALE OF WATER TO CUSTOMERS OUTSIDE TOWN BOUNDARIES

(a) The Council of the Town of Neepawa may enter into agreements with municipalities, corporations and individuals outside the legal boundaries of the Town of Neepawa for the purpose of supplying water to such municipalities, corporations and individuals.

(b) The rates to be charged to such outside users shall be the same rates charged to consumers in the Town of Neepawa for comparable service. Such outside users shall also pay a surcharge which shall be equivalent to frontage levy, general taxes and special taxes for utility purposed in effect at the time, or which may be in effect from time to time, and which would be levied on the property concerned as if it were within Town boundaries. In addition, all costs of connecting to the utility mains and installing, maintaining, and repairing service connections will be paid by the customer.

10. SALE OF WATER TO THE RURAL MUNICIPALITY OF NORTH CYPRESS-
LANGFORD

(a) That the agreement signed with the Rural Municipality of Langford on April 21, 2010 shall remain in effect for a term of ten years. Prior to the expiry of the agreement, the Town and the Rural Municipality of Langford may enter into a new agreement for a similar term. However, the agreement shall be subject to prior approval of The Public Utilities Board.

(b) Sale of water to the RM of North Cypress-Langford shall be charged at a special rate of:

July 1, 2017 - \$1.79 per cubic meter

July 1, 2018 - \$1.82 per cubic meter

July 1, 2019 - \$1.84 per cubic meter

11. 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 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 customers, or to the same premises if the occupant has changed.

Should bib service be required from another property, Town of Neepawa water plant and/or public works staff will setup the service and both properties will be invoiced for an average billing.

Should the problem persist on a regular yearly basis and the source of the freezing be deemed to be an issue related solely to the private property, an estimated billing will only be conducted on the first occurrence. Subsequent occurrences will be billed for the total amount of metered water used. In the case of a bibbed service, the provider of the water will be invoiced for an average billing and the bibbed service invoiced for the remaining metered consumption.

12. BILLINGS AND PENALTIES

Accounts shall be billed quarterly, and shall be due and payable fourteen days after the date of billing. A late payment charge of 1 ¼% per month shall be charged on the dollar amount owing after the billing due date and shall compound monthly.

13. DISCONNECTING FOR NON-PAYMENT

- (a) The Public Utilities Board has approved the Conditions Precedent to be followed by the 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 Municipal office.
- (b) In the event that services are disconnected in accordance with the above noted Conditions Precedent, there shall be a termination fee of \$50.00 charged to the consumers account.
- (c) Prior to services being reconnected, payment of all arrears, penalties, disconnection charges, etc. as well as a reconnection fee of \$50.00 must be paid in full or suitable payment arrangements made.

14. OUTSTANDING UTILITY CHARGES ACTIVATION

Any account that remains outstanding for more than 30 days, may be added to the property taxes in accordance with Section 252(2) of *The Municipal Act*. Because water and sewer services may be provided and billed to a tenant, information about accounts outstanding may be shared with the property owner.

15. DEPOSIT FEE

The initial deposit for water connection and service shall be \$50.00 for domestic and commercial users.

16. PRIVATE SEPTIC LINES (LOW PRESSURE SEWER SYSTEM)

The cost of construction and connection of private septic lines (low pressure sewer system) from the outside face of the building and/or holding tank to the sewer main and/or manhole including surface restoration shall be the total responsibility of the property owner.

17. OVERSIZE METER CHARGE

In situations where the client insists on a larger than required meter, the client shall be invoiced for the difference in cost between the requested meter and the required meter.

Meter Size	Charge	Meter Size	Charge
5/8"	\$ 0.00	2"	\$ 400.00
3/4"	\$ 50.00	3"	\$1,445.00
1"	\$ 115.00	4"	\$2,355.00
1 1/2"	\$ 295.00	6"	\$4,155.00