

**Order No. 60/17**

**AN ORDER RESPECTING THE RURAL MUNICIPALITY OF TACHÉ  
L.U.D. OF LANDMARK WATER AND WASTEWATER RATES  
L.I.D. No. 3  
JULY 1, 2017, JANUARY 1, 2018 and 2019**

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**June 9, 2017**

BEFORE: The Hon. Anita Neville, P.C., B.A. (Hons.), Member  
Carol Hainsworth, C.B.A., Member  
Shawn McCutcheon, Member

## Table of Contents

1.0	Executive Summary.....	3
2.0	The Issues.....	4
3.0	Background .....	5
4.0	Application.....	7
5.0	Board Findings on the Issues.....	9
6.0	IT IS THEREFORE ORDERED THAT:.....	13

## 1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board or PUB) approves revised water and wastewater rates for the Rural Municipality of Taché (RM) – Landmark Utility (Utility) as follows, effective July 1, 2017, January 1, 2018 and 2019.

	Current By-law (23-2012)	Proposed By-law (9-2016) Jul 1, 2017	Proposed By-law (9-2016) Jan 1, 2018	Proposed By-law (9-2016) Jan 1, 2019
Water \$/cubic meter	\$1.30	\$1.34	\$1.36	\$1.39
Sewer \$/cubic meter	\$1.15	\$1.29	\$1.32	\$1.35
Quarterly Service Charge	\$30.00	\$31.44	\$32.07	\$32.71
Minimum Quarterly* Water and Wastewater	\$66.75	\$70.89	\$72.27	\$73.81
Minimum Quarterly** Wastewater Only	\$103.60	\$108.84	\$111.27	\$113.71
Reconnection Fee	\$50.00	\$100.00	\$100.00	\$100.00
Hydrant Rental (Annual)	\$150.00	\$150.00	\$150.00	\$150.00
Tipping Fees (Annual Fee)	\$100.00	\$100.00	\$100.00	\$100.00
NSF Fee	\$20.00	\$25.00	\$25.00	\$25.00

\*Based on 15 cubic meters

\*\*Based on 60 cubic meters, currently based on 64 cubic meters

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 RM has requested revised water and wastewater rates.**

**Issue 2 – The RM has high unaccounted for water percentage rates.**

### 3.0 Background

The RM owns two utilities: Lorette and Landmark. The Landmark Utility is a water and wastewater utility serving 468 customers in total, including 50 wastewater only customers.

All water and wastewater customers are metered and billed on a volumetric basis. One large wastewater only customer is metered based on water usage and the other 49 wastewater only customers are charged on a flat rate basis using the average water usage of 60 m<sup>3</sup> per quarter, changing from currently 64 m<sup>3</sup> per quarter.

The Utility's water system consists of 2 water wells and 2 pump stations. The water is pumped from the well and treated with 12% Hypochlorite solution metered in with a positive pressure pump and injected into the main water line, and then sent directly into the distribution system. The water then flows throughout the distribution network and through service connections into customer's house where it is metered with a digital radio frequency water meter for billing purpose.

The treatment plant is operating at 100% of capacity and both the treatment plant and distribution lines need upgrading.

The Utility's wastewater system is a low pressure system and the collection system meets the current needs. The 4 cell lagoon was constructed in 1985 and expanded in 2009 and further upgraded in 2011. There is one lift station.

Residents are responsible for pumping out their own tanks. The Utility charges the septic hauler \$100 annually to dump into the lagoon. Municipal residents outside the L.U.D. of Landmark are also permitted to dump into the lagoon and the Utility charges a flat rate of \$5,000 annually to the RM.

The lagoon is discharged into the Seine River Diversion, which is complying with its Environmental License.

Currently the Utility has 2 certified Class 1 contract personnel working for water and wastewater system. The RM advises that they are going to have a new Utility Department that will include 1 full time certified operator and 1 full time certified operator in training and 2 certified contract personnel to operate both the Lorette and Landmark Utility systems.

The Board Order 128/13 noted that the Utility's unaccounted for water was approximately 50% in 2011. Although the unaccounted for water percentage has improved to 32% in 2014, it is still higher than industry standard rate of 10%.

The Board Order 39/14 has approved RM's cost allocation methodology. The RM advises the costs in the rate study have been allocated in accordance with this approved methodology.

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 Rural Municipality of Taché has sought approval from the PUB for revised water and wastewater rates, as set out in By-law No. 9-2016. The application was prepared by the RM's consultant with a rate study dated April 2016 and submitted by May 31, 2016 and requested that the rates be effective January 1, 2017, 2018, 2019 and 2020.

A Public Notice of Application was issued on June 9, 2016 affording customers the opportunity to comment to both the Board and the RM with respect to the proposed increases. The Board received no responses from stakeholders to the Notice.

The Board sent a round of information requests to the RM on April 5, 2017. The RM's responses were received on April 13, 2017. In this response, Board finds several discrepancies that would affect the application and will be demonstrated in Board Findings on Issues section.

### Deficits

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 Utility experienced an operating deficit of \$8,851 in 2013. The RM advised that there was sufficient working capital surplus to absorb the 2013 deficit. In the rate study, the RM projected the Utility in 2016 would result in a deficit of \$23,256. However, the audited 2016 financial statements are not available at this time. The Board has requested if the RM would change the projection in the rate study. The RM responded several changes need to be adjusted for 2016 projection. These changes calculated in the table can be found in Board Findings on Issues section.

## Working Capital Surplus

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 2015 audited financial statements, the most recent information available, the working capital surplus at December 31, 2015 was:

<b>Working Capital Surplus/Deficit</b>	<b>Landmark</b>
	<b>2015</b>
Fund Surplus/Deficit	\$1,579,898
Deduct Tangible Capital Assets	\$1,611,840
Add Long-Term Debt	-
Add Utility Reserves	\$484,124
<b>Equals Working Capital Surplus</b>	<b>\$452,182</b>
Operating costs	\$273,515
<b>20% of operating costs</b>	<b>\$54,703</b>

## 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 (CAM).

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 Board last approved RM's revised CAM in Order 39/14. The RM followed this approved CAM in the rate study projections.



## 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 RM in its rate application and the information provided subsequently in response to PUB queries.

The Board finds there are fluctuations regarding water meter maintenance program from year to year and has questioned about the projection for this program. The RM responded no need to purchase any meters in 2016. The rate study has projected \$10,500 for 2016 (see calculation in below table).

The Board finds projections in transmission and distribution are higher than previous years and has requested explanation for the increase. The RM explained the higher projection in 2016 was due to planning to install a compound meter in 2016. However, “given our new circumstances with the water treatment plant upgrade, we will not be proceeding with the installation of that compound meter”. The RM has projected \$22,600 for 2016 transmission and distribution in the rate study. The RM has not provided updated projection for 2016. Due to the inconsistency for past years, Board assumes the average of previous three years’ transmission and distribution cost be projected in 2016 is reasonable (see calculation in below table).

	Rate Study	IR Responses
	2016	2016
Purification and treatment	74,366.00	74,366.00
Water meter maintenance program	10,500.00	-
Transmission and distribution	22,600.00	12,015.33
Connection cost	18,000.00	18,000.00
Amortization	19,182.00	19,182.00
<b>Net Rate Cost Water</b>	<b>144,648.00</b>	<b>123,563.33</b>
Contingency allowance	12,547.00	12,547.00
Capital grant amortization	(1,789.00)	(1,789.00)
Total Projected Water Cost	155,406.00	134,321.33
Total Water Sales	100,510.00	100,510.00
Water Rate	\$1.55	\$1.34

The Board also finds that the Utility's working capital position indicates a strong financial position. Therefore, Board finds \$1.55 per Cubic Meter (CM) for revised water rate effective January 1, 2017 requested by the RM is too high. Instead of a 19% increase, Board finds \$1.34 per CM which is a 3% increase is reasonable. Afterwards 2% of increase for 2018 and 2019 are reasonable. The Board did not find the requested 2020 rate increase was required. The RM should file an application for revised rates should they be required.

In the application, the RM indicated that a \$50,000 Sewer Cattail program was pending for Environmental approval and an average of \$16,700 was included in projection for Wastewater treatment and disposal costs from 2016 to 2018. The Board has requested an update for this program. The RM responded the cattail program was delayed due to the application process and would start the project in 2018.

The Board notices the projected lift station cost is higher in 2016 than previous years and questioned the variance in the information requests. The RM responded the higher cost due to resurfacing of the lift station barrel walls will be delayed in 2017.

Other than the above two delays in wastewater programs, the Board finds the revenue estimates for wastewater are acceptable. Due to the delay of implementation of cattail program and lift station, the Board did not find that the requested 2020 rate increase was required. The RM should file an application for revised rates should they be required.

The RM proposed the effective date be January 1, 2017 (Year One rates) and January 1, 2018 (Year Two rates) and January 1, 2019 (Year Three rates). 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.

**Issue 2 – The RM has high unaccounted for water percentage rates.**

The Board is still concerned over the high unaccounted for water rate of 32% in 2014. The RM has been aware of this issue and completed a meter replacement program in 2014 to reduce unaccounted for water. The new meters are measuring consumption more precisely and customers are being billed for actual levels of consumption now. As the Utility is aware, the industry standard is 10% or less. The Board has requested the RM to provide updated unaccounted for water rate for 2015 and 2016. The RM responded 27% unaccounted for water for 2015 and 36% for 2016. The Board recommends the Utility investigate ways and means of reducing that water loss.

## 6.0 IT IS THEREFORE ORDERED THAT:

- 1) Revised water and wastewater rates for the Rural Municipality of Taché-Landmark Utility BE AND ARE HEREBY APPROVED in accordance with the attached Schedule "A", effective July 1, 2017, January 1, 2018 and 2019.
- 2) The Rural Municipality of Taché 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.

Fees payable upon this Order - \$500.00

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.pubmanitoba.ca](http://www.pubmanitoba.ca).

THE PUBLIC UTILITIES BOARD

"THE HON. ANITA NEVILLE, P.C., B.A(Hons.)"  
Acting Chair

"JENNIFER DUBOIS, CPA, CMA"  
Acting Secretary

Certified a true copy of Order No. 60/17 issued  
by The Public Utilities Board

\_\_\_\_\_  
Acting Secretary

**RURAL MUNICIPALITY OF TACHÉ  
LOCAL IMPROVEMENT DISTRICT NO. 3 (LANDMARK).  
WATER & SEWER UTILITY RATES BY-LAW NO.  
SCHEDULE "A"**

1. Schedule of Commodity Rates & Quarterly Service Charge

**July 1, 2017**

Rates per Cubic Meter

Cubic Meters per quarter

Water	Sewer	Water & Sewer
\$1.34	\$1.29	\$2.63

Quarterly Service Charge \$31.44

2. Minimum Charges per Quarter

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

**a. Water & Sewer Customers**

Group Capacity	Water Included	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Water & Sewer Total Quarterly Minimum	
5/8 inch	1	15	\$31.44	\$20.10	\$19.35	\$70.89
1 inch	4	60	\$31.44	\$80.40	\$77.40	\$189.24
1 ½ inch	10	140	\$31.44	\$187.60	\$180.60	\$399.64
2 inch	25	340	\$31.44	\$455.60	\$438.60	\$925.64

**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 average quarterly consumption in cubic meters of water used for residential customers at the domestic sewer rate plus the quarterly service charge.

Effective July 1, 2017 the quarterly charge for sewer only customers is (60 m<sup>3</sup> x \$1.29) + \$31.44 (service charge) = \$108.84.

1. Schedule of Commodity Rates & Quarterly Service Charge

**January 1, 2018**

Rates per Cubic Meter

Cubic Meters per quarter

Water	Sewer	Water & Sewer
\$1.36	\$1.32	\$2.68

Quarterly Service Charge                      \$32.07

2. Minimum Charges per Quarter

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

**a. Water & Sewer Customers**

	Group Capacity	Water Included	Customer Service	Water Commodity	Sewer Commodity	Water & Sewer Total Monthly
<u>Meter Size</u>	<u>Ratio</u>	<u>Cubic Meters</u>	<u>Charge</u>	<u>Charge</u>	<u>Charge</u>	<u>Minimum</u>
5/8 inch	1	15	\$32.07	\$20.40	\$19.80	\$72.27
1 inch	4	60	\$32.07	\$81.60	\$79.20	\$192.87
1 ½ inch	10	140	\$32.07	\$190.40	\$184.80	\$407.27
2 inch	25	340	\$32.07	\$462.40	\$448.80	\$943.27

**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 average quarterly consumption in cubic meters of water used for residential customers at the domestic sewer rate plus the quarterly service charge.

Effective January 1, 2018 the quarterly charge for sewer only customers is (60 m<sup>3</sup> x \$1.32) + \$32.07 (service charge) = \$111.27.

1. Schedule of Commodity Rates & Quarterly Service Charge

**January 1, 2019**

Rates per Cubic Meter

Cubic Meters per quarter

Water	Sewer	Water & Sewer
\$1.39	\$1.35	\$2.74

Quarterly Service Charge                      \$32.71

2. Minimum Charges per Quarter

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

**a. Water & Sewer Customers**

	Group Capacity	Water Included	Customer Service	Water Commodity	Sewer Commodity	Water & Sewer Total Monthly
<u>Meter Size</u>	<u>Ratio</u>	<u>Cubic Meters</u>	<u>Charge</u>	<u>Charge</u>	<u>Charge</u>	<u>Minimum</u>
5/8 inch	1	15	\$32.71	\$20.85	\$20.25	\$73.81
1 inch	4	60	\$32.71	\$83.40	\$81.00	\$197.11
1 ½ inch	10	140	\$32.71	\$194.60	\$189.00	\$416.31
2 inch	25	340	\$32.71	\$472.60	\$459.00	\$964.31

**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 average quarterly consumption in cubic meters of water used for residential customers at the domestic sewer rate plus the quarterly service charge.

Effective January 1, 2019 the quarterly charge for sewer only customers is (60 m<sup>3</sup> x \$1.35) + \$32.71 (service charge) = \$113.71.



**The following clauses take effect July 1, 2017:****1. Service To Customers Outside RM Limits**

The Council of Rural Municipality of Taché may sign Agreements with customers for the provision of water and sewer services to properties located outside the boundaries of Local Improvement District #3 (Landmark). 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 L.I.D. #3 boundaries. In addition, all costs of connecting to the Utility's mains, and installing and maintaining service connections, will be paid by the customer.

**2. Connection Fees**

All costs of connecting to the utility's mains, and installing and maintaining service connections will be paid by the customer. Where a development agreement does not exist, the customer must pay the following connection fees for the cost of the water meter and staff time to connect:

<b><u>Meter Size</u></b>	<b><u>Fee</u></b>
5/8", 3/4" & 1" water line	\$600.
1 1/2" water line	\$1,000.
2" water line	\$1,300.

**3. Billings And Penalties**

Accounts shall be billed quarterly and the due date shall be at least 20 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.

4. NSF Charge

A charge of \$25.00 shall be added to the account when payment made by cheque or pre-authorized payment is returned due to insufficient funds or inability to trace the chequing account.

5. Disconnection

The Public Utilities Board has approved the Conditions Precedent to be followed by the RM 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 RM's office.

6. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties, and a reconnection fee of \$100.00 have been paid.

7. 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.

8. Hydrant Charges

At present the fire hydrants provided by the Utility are used for water line flushing purposes and are not suitable for use for fire protection purposes due to low water pressure.

In the event water pressure to fire hydrants is increased and the same provide effective fire protection, charges of \$150.00 per hydrant per year shall be made upon the General Fund of the Municipality if the Municipality provides fire protection services in the Local Urban District of Landmark.

9. Water Allowance Due To Line Freezing

Where, at the request of CAO, 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.

10. 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.

11. Meter Testing

That in any case where a utility customer requests that a meter be tested for accuracy, the customer will provide the RM with a deposit of \$200. The RM will then remove the subject meter and send it to an independent lab for testing. If the meter is found to be faulty, all costs associated with the testing process will be borne by the RM and the deposit will be refunded to the customer. If the meter is found to be in proper working order, all costs associated with the testing process will be borne by the customer and the customer will be billed or refunded any balance owing.

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 RM's water system.

If a condition is found to exist which, in the opinion of the RM, is contrary to the aforesaid, the RM 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. Conditions of Disrepair

In the event that there are conditions of disrepair in the sewer and water works on a property that detrimentally affects the system as a whole and, upon the failure of the owner of the property to correct the condition within a reasonable time, the Municipality, or its agents, may enter the property, effect repairs and charge the cost thereof against the subject property as ordinary taxes.

14. Authorization For Officer To Enter Upon Premises

The Utilities Manager, or other employee authorized by the RM in the absence of the Utilities 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 RM.

15. Tipping Fees:

Septic haulers will be required to pay an annual fee of \$100.00 to dump septic in the lagoon.

Residents of the Municipality of Taché who reside outside the district of Landmark are permitted to dump septic into the lagoon. The Municipality of Taché will remit \$5,000.00 annually to the utility in payment thereof.