

Order No. 68/17

**AN ORDER VARYING BOARD ORDER NO. 93/16
FOR THE CITY OF FLIN FLON
WATER AND WASTEWATER UTILITY**

June 28, 2017

**BEFORE: Marilyn Kapitany, B.Sc. (Hons.), M.Sc., Acting Chair
Allan Morin, B.A., ICD.D, Member**

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1.0 Executive Summary

The City of Flin Flon (City) requested that the Public Utilities Board (Board) review and vary Board Order No. 93/16. The City requested three changes to the Order:

1. The effective date be changed from July 1, 2016 to November 1, 2016;
2. The “Application for rates for Channing” due date, directive #7 in the Order, be changed from December 31, 2016 and instead be included in the next general rate application for the City, “to be submitted in 2017”; and
3. The deficit recovery rate rider approved in Order No. 93/16 be amended from a flat rate of \$10 per month, per account to a recovery based on group capacity ratio/meter size.

After review, the Board varies Board Order No. 93/16 as follows:

- The effective date for rates is to be amended from July 1, 2016 to November 1, 2016;
- The deficit recovery rate rider for 2014 is to be amended from a flat monthly rate of \$10 per customer account to a recovery based on group capacity ratio/meter size, as per Schedule “A” attached to this Order.

The request to submit the “Application for rates for Channing” with the next rate study is denied.

Rationale for the PUB’s decisions may be found under “Board Findings on the Issues”.

2.0 Application

On July 21, 2016 the Board issued Order No. 93/16 confirming final water and wastewater rates for July 1, 2016, and January 1, 2017 and approving the 2014 utility deficit and recovery over a five year period for the City of Flin Flon water and wastewater utility.

Request to Review and Vary:

The City submitted a request on November 14, 2016 to amend Board Order No. 93/16.

1. The effective date be changed from July 1, 2016 to November 1, 2016;
2. The “Application for rates for Channing” due date, directive #7 in the Order, be changed from December 31, 2016 and instead be included in the next general rate application for the City, “to be submitted in 2017”; and
3. The deficit recovery rate rider approved in Order No. 93/16 be amended from a flat rate of \$10 per month, per account to a recovery based on group capacity ratio/meter size.

In its covering letter to the Board, the City requested a revision to the effective date of the new rates, given the timing of the Board Order.

The City also requested the Board’s approve to submit the application for revised rates for the residents of the subdivision known as “Channing” with the next full rate application, which the City states will be submitted in 2017. The City’s reasoning for this delay is that it intends to “submit an application to revise rates so that any required increases (inclusive of Channing) can be implemented in January of 2018.”

The City also requested that the Board amend the recovery rate rider. Upon further consideration, Council determined that a \$10.00 monthly rate rider per account across all residential, commercial, large consumers and metered accounts may not be the fairest method of recovery. Council determined that basing the recovery on Group Capacity Ratios (meter sizes) would be a better indicator of the consumption patterns that contributed to the deficit. Group Capacity Ratios are used to determine the minimum billing amount for utility customers and would be Council's preferred method of recovery of the 2014 deficit of \$939,234:

| Meter size | Group Capacity Ratio | Number of Accounts | Monthly Amount |
|----------------------------|-----------------------------|---------------------------|-----------------------|
| Flat rate & 5/8 inc meters | 1 | 2200 | \$ 5.06 |
| 3/4 inch meters | 2 | 29 | \$ 10.12 |
| 1 inch meters | 4 | 32 | \$ 20.24 |
| 1 1/2 inch meters | 10 | 10 | \$ 50.60 |
| 2 inch meters | 25 | 17 | \$126.50 |
| 3 inch meters | 45 | 2 | \$227.37 |
| 4 inch meters | 90 | 1 | \$455.40 |

The City advises the amended rate rider would refund the deficit at the rate of \$15,640 per month, and would recover over a 60 month period to generate revenues of \$938,400.

3.0 Board Findings on the Issues

After considering the information filed and Board Order 93/16, the Board concludes that the Order is to be varied as follows:

1. The effective date be changed from July 1, 2016 to November 1, 2016;
2. The deficit recovery rate rider approved in Order No. 93/16 be amended from a flat rate of \$10 per month, per account to a recovery based on group capacity ratio/meter size, as Schedule "A" attached to this Order.

The Board finds the request to change the effective date of the revised rates to be reasonable, and will approve the revision as requested. The City has advised that it began charging revised rates in November 2016, so no retroactive adjustment to ratepayers will be required.

The Board agrees with the City that the use of the Group Capacity Ratio is a more fair way of recovering the deficit, given that not all customers of the utility are metered. The Board is concerned about the impact on the higher volume users/larger meters. Board will require the city to provide notice to customers on or before July 31, 2017 and to introduce the rate rider effective January 1, 2018, which will allow customers the opportunity to prepare for the rate rider charges.

The Board will not approve the request to delay submitting a rate proposal for Channing customers. As described in Board Order No. 93/16, the City is currently arranging contracts for delivery of water and pump outs for Channing residents. These residents are taxpayers but are not on the connected system. The City charges these customers a quarterly rate that is based on existing contracts between the City and the customers, rather than the true costs of providing the services. Based on the 2014 audited financial statements, it appears that this agreement is creating a revenue shortfall for the City of approximately \$83,000. The Channing customers are being subsidized by the other tax payers of the City of Flin Flon.

The Board will require the City to submit a rate application on or before September 30, 2017. The Board recommends that once the City has determined what the rate will be, it engages in public consultation with the residents of Channing to determine whether or not the customers wish to continue contracting with the City to provide these services, or to make alternate arrangements.

4.0 IT IS THEREFORE ORDERED THAT:

- 1) Schedule "A" of the Public Utilities Board Order No. 93/16 BE AND IS HEREBY VARIED to amend the July 1, 2016 effective date to November 1, 2016.
- 2) The City of Flin Flon's 2014 Utility deficit recovery BE AND IS HEREBY VARIED to be recovered by monthly rate rider, as shown on Schedule "A" attached to this Order, effective January 1, 2018 for a period of five (5) years.
- 3) The City of Flin Flon provide written notice of the revised monthly rate rider to its customers on or before July 31, 2017, with a copy provided to the Public Utilities Board.
- 4) The City of Flin Flon must file an application for rates to provide services to the customers known as "Channing" on or before September 30, 2017.

- 5) The City of Flin Flon revise the water and wastewater by-law to reflect the changes in this Order, and file a copy with the Public Utilities Board once it has received third and final reading.

Fees payable upon this Order - \$150.00

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.

THE PUBLIC UTILITIES BOARD

"MARILYN KAPITANY, B.Sc.(Hons.), M.Sc."
Acting Chair

"JENNIFER DUBOIS, CPA, CMA"
Acting Secretary

Certified a true copy of Order No. 68/17 issued
by The Public Utilities Board

Acting Secretary

Schedule "A"

| Meter size | Group Capacity Ratio | Number of Accounts | Monthly Amount |
|-----------------------------|-------------------------------------|-------------------------------|---------------------------|
| Flat rate & 5/8 inch meters | 1 | 2200 | \$5.06 |
| 3/4 inch meters | 2 | 29 | \$10.12 |
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