

Order No. 99/17

**RURAL MUNICIPALITY OF ROCKWOOD
STONY MOUNTAIN WATER AND WASTEWATER UTILITY
INTERIM RATES
ACTUAL OPERATING DEFICITS for 2013, 2014 AND 2015**

September 15, 2017

BEFORE: Carol Hainsworth, C.B.A., Acting Chair
Susan Nemec, FCPA, FCA, Member
Allan Morin, B.A., ICD.D, Member

Executive Summary

By this Order, the Public Utilities Board (Board) approves, on an interim *ex parte* basis, revised water and wastewater rates applied for by the RM of Rockwood (RM), for the Stony Mountain utility (Utility). The Board also approves actual operating deficits for the years 2013, 2014 and 2015, to be recovered by rate rider of \$.99 per cubic meter (m³).

The Public Utilities Board (Board) issued Order No. 151/08 on November 7, 2008 requiring all water and/or sewer utilities to report an actual year-end deficit to the Board if the utility:

1. had not received prior approval for the deficit from the Board and such deficit either exceeds \$10,000 or represents 5% of the utility's operating budget; or
2. had received prior approval for the deficit from the Board and the actual deficit:
 - a. exceeds the previously approved amount by either \$10,000 or 5% of the utility's operating budget; or
 - b. is caused as a result that differs from that upon which said approval was granted;

The revised rates are to be effective October 1, 2017. The approved rates and rate rider are in the table below.

| | Current | Oct 2017 | Jan 2018 | Jan 2019 |
|---|----------------|-----------------|-----------------|-----------------|
| Quarterly service charge | \$ 15.95 | \$ 15.95 | \$ 17.20 | \$ 18.40 |
| Water \$/cubic meter | \$ 0.75 | \$ 2.05 | \$ 2.10 | \$ 2.15 |
| Wastewater \$/cubic meter | \$ 0.50 | \$ 2.15 | \$ 2.25 | \$ 2.40 |
| Minimum quarterly* | \$ 34.70 | \$ 78.95 | \$ 82.45 | \$ 86.65 |
| Flat rate water only customers (annual)** | \$ 430.00 | \$ 430.00 | \$ 430.00 | \$ 430.00 |
| Bulk water rates*** | \$ 1.17 | \$ 2.40 | \$ 2.45 | \$ 2.55 |
| Reconnection fee | \$ 50.00 | \$ 75.00 | \$ 75.00 | \$ 75.00 |
| Hydrant rental | \$ 150.00 | \$ 200.00 | \$ 200.00 | \$ 200.00 |
| Deficit recovery - per cubic meter | | \$ 0.99 | \$ 0.99 | \$ 0.99 |

Application

On December 30, 2016 the Board received an application for approval of actual operating deficits for 2013, 2014 and 2015 from the Rural Municipality of Rockwood (RM) for the Stony Mountain water and wastewater utility (Utility). The application was accompanied by Council Resolution No. 2016 545 requesting that the deficits be recovered through a deficit recovery surcharge collected over a three year period, based on water usage and a Utility Deficit Recovery Plan prepared by the RM.

| | 2013 | 2014 | 2015 | Total |
|---|------------|------------|------------|-------------|
| Total operating deficit, per audited financial statements | \$ 143,825 | \$ 193,477 | \$ 217,466 | \$ 554,768 |
| Less amortization of capital grants (revised Aug 2017) | -\$ 48,716 | -\$ 48,716 | -\$ 48,716 | -\$ 146,148 |
| Deficit to be recovered through rate rider | \$ 97,122 | \$ 146,775 | \$ 170,765 | \$ 408,620 |
| Average consumption (cubic meters) | 140,000 | 140,000 | 140,000 | |
| Rate rider, per cubic meter | \$ 0.69 | \$ 1.05 | \$ 1.22 | \$ 2.96 |
| Rate rider, per year over three year period | \$ 0.23 | \$ 0.35 | \$ 0.41 | \$ 0.99 |

The application reported that the deficits were a result of the following factors:

- The consumption used to determine the rates in the 2011 rate study was estimated at approximately 27% higher than the actual consumption for the period
- Rates have not increased since 2014
- The Utilities department has a staff of three full time certified employees
- Public Sector Accounting Board rules and amortization adjustments

The RM's most recent rate increase was approved in Board Order No. 113/12 and rates last increased January 1, 2014. The RM submitted an application for revised water and wastewater rates on April 19, 2017. The application was accompanied by a rate study prepared by the RM and By-law No. 7/17 having received 1st reading on April 5, 2017. Rates were previously revised in 2014 by Board Order No. 113/12. The RM has requested interim ex parte rates, due to the operating deficits being experienced by the Utility.

There is a by-law in the RM of Rockwood requiring all utility customers to have a meter installed. Currently, seven (7) customers have not installed meters. Board Order No. 113/12 set the rates for unmetered, water only customers at a flat rate of \$430.00 per year. The RM advised the PUB that due to a billing error, these seven customers are being billed the minimum charge of 15 m³ per quarter, instead of the \$430 flat charge. The RM has provided evidence showing that the average consumption for water only residential customers with a 5/8" meter is 77m³ per quarter, significantly more than 15m³.

The RM will be advising these customers of the billing error and will start charging the unmetered customers the flat charge. The RM also advised the Board that it would be considering disconnecting customers who do not install meters as required.

When reviewing an application, the Board has at its disposal several approaches. It can hold a public oral hearing at which the applicant can present its case and customers can present their concerns. In other cases, where it is deemed to be in the best interest of the Utility and its customers, the Board may review the application using a paper review process.

Where there is an urgent need for a rate increase and the Board determines it to be in the best interest of all parties, the Board may also establish interim *ex parte* rates. Interim rates are typically approved as applied for and are then subject to a Public Notice of Application and review using one of the processes outlined above before being confirmed as final by Board Order.

Board findings

By law, Manitoba utilities are not allowed to incur deficits. In the event that a deficit does occur, a Utility is required to obtain Board approval for a recovery methodology.

The Board will approve the actual operating deficits for the years 2013, 2014 and 2015, to be recovered by rate rider on a per m³ basis. Unmetered customers will be charged the deficit recovery rate rider at the quarterly average consumption for residential customers, 77 m³ per quarter. The flat rate charge for these customers will remain at the rate of \$430 per year, as previously approved by the Board for 2014.

The Board will, on an interim *ex parte* basis, approve water and wastewater rates as applied for by the RM effective October 1, 2017. The Board makes this interim rate decision to mitigate the operating deficits the Stony Mountain Utility is experiencing.

A Notice of the Application to inform the ratepayers of the interim water and wastewater rate increases and deficit recovery rate rider will be issued.

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 (Rules). The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

IT IS THEREFORE ORDERED THAT:

1. The 2013, 2014 and 2015 actual operating deficits, when calculated for regulatory purposes, totalling \$408,620, incurred in the Rural Municipality of Rockwood, Stony Mountain water and wastewater utility BE AND ARE HEREBY APPROVED. The deficits are to be recovered by a rate rider of \$.99 per cubic meter of water consumption beginning October 1, 2017, for a period of three (3) years (twelve [12] quarterly billing cycles) or until the revenue from the rate rider has reached \$408,620, whichever comes first.
2. Revised water and wastewater rates for the Rural Municipality of Rockwood, Stony Mountain Utility BE AND ARE HEREBY APPROVED on an interim *ex parte* basis, in accordance with the attached Schedule "A", effective October 1, 2017.
3. The Rural Municipality of Rockwood, Stony Mountain Utility amend its water and wastewater by-law to reflect the decisions in this Board 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

THE PUBLIC UTILITIES BOARD

"CAROL HAINSWORTH, C.B.A."
Acting Chair

"JENNIFER DUBOIS, CPA, CMA"
Acting Secretary

Certified a true copy of Order No. 99/17
issued by The Public Utilities Board

Acting Secretary

SCHEDULE "A" TO BY-LAW #7/17**THE RURAL MUNICIPALITY OF ROCKWOOD****THE STONY MOUNTAIN WATER & SEWER UTILITY SYSTEM****SCHEDULE OF QUARTERLY RATES****1. COMMODITY RATES PER CUBIC METRE:**

| | WATER | SEWER | COMBINED |
|------|--------------|--------------|-----------------|
| 2017 | \$2.05 | \$2.15 | \$4.20 |
| 2018 | \$2.10 | \$2.25 | \$4.35 |
| 2019 | \$2.15 | \$2.40 | \$4.55 |

2. MINIMUM QUARTERLY RATES:

Notwithstanding the commodity rates set forth in Paragraph 1 hereof, all customers will pay the applicable minimum charges set out below which will include the water allowances indicated:

a) **WATER & SEWER CUSTOMERS:****October 1, 2017:**

| Meter Size (mm) | Group Capacity Ratio | Minimum Quarterly Volume (m ³) | Service Charge | Commodity Rates | | Minimum Quarterly Charges |
|-----------------|----------------------|--|----------------|-----------------|----------|---------------------------|
| | | | | Water | Sewer | |
| 15 | 1 | 15 | \$15.95 | \$ 30.75 | \$ 32.25 | \$ 78.95 |
| 19 | 2 | 30 | \$15.95 | \$ 61.50 | \$ 64.50 | \$141.95 |
| 25 | 4 | 60 | \$15.95 | \$123.00 | \$129.00 | \$267.95 |
| 38 | 10 | 90 | \$15.95 | \$184.50 | \$193.50 | \$393.95 |
| 50 | 25 | 120 | \$15.95 | \$246.00 | \$258.00 | \$519.95 |

January 1, 2018:

| Meter Size (mm) | Group Capacity Ratio | Minimum Quarterly Volume (m ³) | Service Charge | Commodity Rates | | Minimum Quarterly Charges |
|-----------------|----------------------|--|----------------|-----------------|----------|---------------------------|
| | | | | Water | Sewer | |
| 15 | 1 | 15 | \$17.20 | \$ 31.50 | \$ 33.75 | \$ 82.45 |
| 19 | 2 | 30 | \$17.20 | \$ 63.00 | \$ 67.50 | \$147.70 |
| 25 | 4 | 60 | \$17.20 | \$126.00 | \$135.00 | \$278.20 |
| 38 | 10 | 90 | \$17.20 | \$189.00 | \$202.50 | \$408.70 |
| 50 | 25 | 120 | \$17.20 | \$252.00 | \$270.00 | \$539.20 |

January 1, 2019:

| Meter Size (mm) | Group Capacity Ratio | Minimum Quarterly Volume (m ³) | Service Charge | Commodity Rates | | Minimum Quarterly Charges |
|-----------------|----------------------|--|----------------|-----------------|----------|---------------------------|
| | | | | Water | Sewer | |
| 15 | 1 | 15 | \$18.40 | \$ 32.25 | \$ 36.00 | \$ 86.65 |
| 19 | 2 | 30 | \$18.40 | \$ 64.50 | \$ 72.00 | \$154.90 |
| 25 | 4 | 60 | \$18.40 | \$129.00 | \$144.00 | \$291.40 |
| 38 | 10 | 90 | \$18.40 | \$193.50 | \$216.00 | \$427.90 |
| 50 | 25 | 120 | \$18.40 | \$258.00 | \$288.00 | \$564.40 |

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) **FLAT RATE WATER ONLY CUSTOMERS:**

The flat rate charge for water only customers (unmetered water supply) are as follows:

2017: \$430.00

3. **BULK SALES:**

All water sold in bulk by the Rural Municipality of Rockwood – Stony Mountain Utility shall be charged for at the following rates per cubic meter:

i) 2017: \$2.40

ii) 2018: \$2.45

iii) 2019: \$2.55

plus a flat fee of \$50 per fill in order to cover wages and travelling costs associated with the fill.

4. **SERVICE TO CUSTOMERS OUTSIDE THE BOUNDARIES:**

The Council of the Rural Municipality of Rockwood may sign Agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Community of Stony Mountain. 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 the Community boundaries. In addition, all costs of connecting to the Utility's mains, installing, and maintaining, the customer will pay service connections.

5. **BILLINGS AND PENALTIES:**

Accounts shall be billed quarterly and the due date shall be at least 14 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.

6. **DISCONNECTION FOR NON-PAYMENT:**

The Public Utilities Board has approved the Conditions Precedent attached hereto as Appendix B, to be followed by the Municipality 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.

7. **RECONNECTION:**

Any service disconnected or added to taxes due to non-payment of account shall not be reconnected until all arrears, penalties, and a reconnection fee of \$75.00 have been paid.

- a) Upon written request and payment of the applicable fee to the Rural Municipality of Rockwood as noted hereunder, service may be:
 - i) Disconnected - \$75.00 fee
 - ii) Removed - \$75.00 fee
 - iii) Reconnected - \$75.00 fee

8. **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.

9. **HYDRANT CHARGES:**

The Rural Municipality of Rockwood shall pay to the Utility an annual hydrant charge of \$200.00 for each hydrant connected to the System, which includes the cost of water for fire fighting.

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. **WATER ALLOWANCE DUE TO LINE FREEZING:**

Where, at the request of Council, 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.