

**Order No. 133/18**

**AN ORDER VARYING BOARD ORDER No. 91/16  
FOR THE RURAL MUNICIPALITY OF DAUPHIN  
WATER UTILITY  
WATER RATES, AMORTIZATION & DEFICITS**

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**September 28, 2018**

**BEFORE: Shawn McCutcheon, Panel Chair  
Irene A. Hamilton, Member**

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## 1.0 Executive Summary

The Rural Municipality of Dauphin (RM) has requested that the Public Utilities Board (Board) vary the customer service charge and water rate set on an initial interim basis in Board Order No. 91/16. The RM is also seeking Board approval to vary the waterline amortization period from 40 to 75 years as set in Board Order No. 91/16.

After review, the Board varies the customer service charge and water rate previously approved in Board Order No. 91/16. The new customer service charge and water rate are to be effective January 1, 2019. The approved rates are shown below:

	<b>Current Rates</b>	<b>2019 Rates</b>
	<b>By-law 2992</b>	<b>By-law 3001</b>
Quarterly service charge	\$ 36.07	\$ 18.61
Water Rate \$/cubic meter	\$ 2.87	\$ 7.46
Minimum quarterly charge*	\$ 76.25	\$ 123.05

\* Based on 14 cubic meters.

The Board also varies the 40-year amortization period for the RM Water Utility high-density polyethylene (HDPE) waterlines to a 75-year amortization period.

The Board approves the deficits for 2016, 2017 and 2018 to be recovered through future working capital surplus.

Details of the revised water rate by-law 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 Background

On July 20, 2016, the Board issued Order No. 91/16 setting initial interim rates effective July 1, 2016. Included in that application was a waterline amortization expense based on a 40-year period.

On July 20, 2017, the Board issued Order No. 76/17 varying the total cubic meters (no decimals) used to calculate the minimum quarterly charge, as approved in Board Order No. 91/16.

## 3.0 Application

On July 27, 2018, the RM requested that the Board vary the customer service charge, the water rate and amend the amortization period of the high-density polyethylene (HDPE) pipe from 40 to 75 years, set in Board Order No. 91/16. This request was supported by Council Resolution #2018 206, and Council Resolution #2018 205 to amend the RM's water rate by-law.

In that order, an amortization period of 40 years was applied to the HDPE waterlines providing service to customers. However, upon further investigation the expected life of HDPE pipe is conservatively estimated at 50 to 100 years. Based on this, the RM proposes to change the amortization period from 40 to 75 years for the waterline service life.

As per the RM's variance application to the Board, the initial proposed water rates calculated by the RM were based on a projected average quarterly water consumption of 90.92 cubic meters or 20,000 gallons per customer. The actual average quarterly water consumption from April 2017 to March 2018 was 26.36 cubic meters or 5,800 gallons per customer, which is significantly lower than the expected average. This has resulted in inadequate water billing revenues to fund the utility expenses.

To help mitigate the financial shortfall and to reduce the impact of the required utility rate increase, the RM has reviewed budgeted expenses and trimmed wherever possible. However, the Utility has incurred an audited deficit of \$1,602 in 2016, an unaudited deficit

of \$143,455 in 2017 and anticipates a deficit for 2018. These deficits occurred because of the lower than anticipated water consumption, resulting in lower than expected revenues.

As a result of these issues, the RM is making the vary request to Board Order No. 91/16 after the RM met with its consultant and was advised that the current rates are insufficient for the current water consumption and would not sustain the utility.

The RM is also requesting the Board consider a future deficit recovery after the Utility has improved its working capital position. This will eliminate the impact to ratepayers, by recovering the deficits through rates rather than an additional rate increase through a rate rider.

#### 4.0 Board Findings

After considering the information filed with the Board and the rates set in Board Order No. 91/16, the Board concludes that the Order is to be varied. The Board varies the customer service charge and water rate as outlined below and approves the waterline amortization period of the HDPE pipe from 40 years to 75 years. This is effective January 1, 2019.

	<b>Current Rates</b>	<b>2019 Rates</b>
	<b>By-law 2992</b>	<b>By-law 3001</b>
Quarterly service charge	\$ 36.07	\$ 18.61
Water Rate \$/cubic meter	\$ 2.87	\$ 7.46
Minimum quarterly charge*	\$ 76.25	\$ 123.05

\* Based on 14 cubic meters

The Board notes the significant variance between the estimated water consumption compared with the actual consumption, which resulted in a serious financial situation for the Utility and resulted in deficits for its first two years of operation. The Board acknowledges the RM's actions to rectify this situation and commends them on requesting a variance on the current set rates.

The Board is sensitive to customer reaction but must also consider the sustainability of the Utility. The Board requires that a Notice of Application, informing stakeholders of the rates and/or increases approved in this Order varying the rates set in Board Order No. 91/16 on an initial interim *ex parte* basis, and be published in accordance with the Board's Rules of Practice and Procedure.

The Board approves that the deficits from 2016, 2017 and 2018 be recovered from future working capital surplus, which is accounted for in the new rates. This is not the normal course of action for deficit recovery, but the Board will make an exception in the case of the new Water Utility. The Board finds that adding a rate rider for deficit recovery would put undo financial burden on the ratepayers.

The Board still requires that a deficit application and PUB schedule 9 be filed with Board for each year the Utility incurs a deficit, with a letter referencing this Board Order Number and recovery method as provided in this Order.

The Board orders the RM to monitor the Utility's performance and to file a report of rate adequacy or rate application with audited financials to the Board by no later than September 1, 2019.

## **5.0 IT IS THEREFORE ORDERED THAT:**

- 1) Schedule "A" of the Public Utilities Board Order No. 91/16 BE AND IS HEREBY VARIED to Schedule "A" to this Board Order, varying the customer service charge and water rate, for the Rural Municipality of Dauphin Water Utility, effective January 1, 2019.
- 2) The Rural Municipality of Dauphin submit a copy of its water By-law for the Rural Municipality of Dauphin Water Utility to the Public Utilities Board, once it has received third and final reading.
- 3) The Rural Municipality of Dauphin provide notice to its ratepayers of the revised rates approved in this Order.

- 4) The Board APPROVES AND VARIES the amortization period of the waterlines to 75 years.
- 5) The Board APPROVES the 2016 deficit of \$1,602, the 2017 unaudited deficit of \$147,455 and the anticipated 2018 deficit to be recovered through the Utility's future working capital surplus, by application to the Board when amounts are finalized.
- 6) The Rural Municipality of Dauphin provide a copy of the audited financial statements annually, including any necessary deficit applications, as soon as they are available.
- 7) The Rural Municipality of Dauphin review its water rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates by no later than September 1, 2019

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

THE PUBLIC UTILITIES BOARD

"Shawn McCutcheon"

Panel Chair

"Rachel McMillin, B. Sc."

Acting Secretary

Certified a true copy of Order No. 133/18  
issued by The Public Utilities Board



Acting Secretary

**SCHEDULE "A"**Rural Municipality of Dauphin  
Water Rates  
By-Law No. 3001

Schedule of Quarterly Rates:

1. Commodity rates per Cubic Meter

All water consumption: \$7.46

2. Minimum Charges Quarterly

Notwithstanding the Commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charges set out below, which will exclude water allowances indicated:

## a. Water Customers

Meter Size	Group Capacity Ratio	Water Included Cubic Meters	Customer Service Charge	Commodity Charges Water	Total Quarterly Minimum
5/8"	1	14	18.61	104.44	123.05
¾"	2	28	18.61	208.88	227.49
1"	4	56	18.61	417.76	436.37
1 ½"	10	140	18.61	1,044.40	1,063.01

3. Service to Customers Outside Municipality

The Council of the Rural Municipality of Dauphin may sign agreements with customers for the provision of water services to properties located outside the legal boundaries of the Rural Municipality of Dauphin subject to the approval of the G3 Regional Water Cooperative Inc. 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 flat rate per parcel rate, 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 connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

4. Billings and Penalties

A late payment charge of 1¼% shall be charged on the dollar amount owing after the billing due date. The due date will be at least fourteen days after the mailing of the bills.

5. Disconnection

Service may be disconnected and discontinued immediately and without further notice in the event of non-payment of the account within 30 days after the due date. A **\$50.00** disconnection fee will be charged.



6. 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.

7. Outstanding Bills

Pursuant to Section 252 (2) of The Municipal Act, the amount of all outstanding charges for water 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. Turn on Charge (new customers or change of occupancy)

There shall be a turn-on service charge of \$30.00.

9. Disconnect/Reconnect Charges

Any disconnection or reconnection at the request of the customer, due to reasons other than non-payment of account, shall be charged a fee of \$50.00.

10. Future Connection Fee

Where a customer connects to the water system after the initial round of connections they shall pay \$17,000.00 plus all costs of materials and contractors fees charged to install the water line on their property. Contractors hired will be at the discretion of council.

11. Water Allowance Due to Line Freezing

That in any case where, at the request of Council, a customer allows water to run 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 the billings for the last two previous quarters to the same customer, or to the same premises if the occupant has changed.