

Order No. 135/18

**MUNICIPALITY OF GRANDVIEW
SUGARLOAF WATER UTILITY
REVISED RATES FOR JANUARY 1, 2019, 2020, AND 2021**

October 2, 2018

BEFORE: Shawn McCutcheon, Panel Chair
Sharon McKay, Member

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1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves the revised water rates for the Municipality of Grandview (Municipality), Sugarloaf Water Utility (Utility) effective January 1, 2019, January 1, 2020 and January 1, 2021.

The approved rates are as follows:

	Current By- Law 5-2010	2019	2020	2021
Quarterly service charge	\$ 21.30	\$ 26.47	\$ 31.64	\$ 36.80
Water per 1,000 gallons	\$ 6.75	\$ 8.19	\$ 9.63	\$ 11.07
Minimum quarterly charge*	\$ 41.55	\$ 51.04	\$ 60.53	\$ 70.01
Reconnection fee (Turn on charge)	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00

**Based on 3,000 gallons*

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

Rationale for the Board's decisions may be found under the heading Board Findings below.

2.0 Background

The Municipality owns and operates a water utility serving 172 customers as of 2017 and all calculations assume this number to remain static for all future years. All water customers are metered and utility bills are sent out on a quarterly basis, separate from the property tax bills.

On September 4, 2018, Board Order No. 119/18 approved actual operating deficits of \$60,580 for 2013, \$29,760 for 2014, \$54,736 for 2015, and \$54,840 for 2016, each to be recovered from the Utility's accumulated surplus.

Water Supply/Distribution

The Municipality pumps groundwater to the plant where potassium permanganate is injected into the raw water before it is filtered with two manganese greensand filters. After filtration, the water is chlorinated and scored for distribution.

The water system infrastructure was completed in four phases from 1996 through 2003. Phase one and phase two included the construction of the water treatment plant, drilling of the well and installation of the first water mains. Phase three and phase four consisted of the expansion of the distribution system.

The existing water main system consists of high-density polyethylene piping with two booster stations. The water system infrastructure is well maintained and in good condition. The last engineering assessment was last completed in 2010.

A February 22, 2016 letter from the Office of Drinking Water indicates the water supplier has complied with *The Drinking Water Safety Act*, its supporting regulations, and the terms and conditions of the water system's current operating licence.

Unaccounted for Water

The acceptable percentage of unaccounted water is 10%. If the percentage is above this amount, the applicant is to explain why and provide a plan to remedy.

The Municipality's unaccounted for water is estimated at 18%. A significant portion of the estimated water loss is a result of the use of flush out valves to help flush build-up in the water lines resulting from distances of more than a mile between connections that can create brown water. No plan to remedy has been provided.

3.0 Application

On June 14, 2017, the Municipality applied for revised water rates, to be effective January 1, 2018, January 1, 2019, and January 1, 2020, as set out in By-Law No. 04-2017 having had first reading April 25, 2017. The application was supported by a rate study prepared by the Municipality's consultant. Rates were last approved in 2006 in Board Order No. 114/06.

A Public Notice of Application was issued on September 11, 2017 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the Municipality on or before October 11, 2017. No expression of concern was received from consumers.

When reviewing an application, the Board has at its disposal two approaches, either a paper or a public hearing review. After the publication of the Notice of Application, the Board considers the application and stakeholder responses, and determines which method of review is most appropriate. Whenever reasonable, the Board can review the application using a paper review process, which saves the cost of a public hearing process. Given the Board has not been advised of any issues/complaints, the Board has chosen a paper review process for this application.

The rates were calculated based on the following projections using an inflation rate of 2% in all calculations:

Schedule of Utility Rate Requirements – Sugarloaf Utility (for Public Utilities’ Use Only)				
2017 to 2020 Budget Forecasts (\$)				
	2017	2018	2019	2020
	Forecast			
General Expenses				
Administration	17,335	17,682	18,035	18,396
Utilities (telephone, electricity)	6,706	6,841	6,977	7,117
Total General Expenses	24,041	24,523	25,012	25,513
Revenue				
Penalties	200	200	200	200
Total General Revenues	200	200	200	200
Net Costs General	23,841	24,323	24,812	25,313
Water Expenses				
Purification and Treatment	48,000	48,960	49,939	50,938
Service of Supply	15,200	15,504	13,464	15,504
Amortization	82,998	82,998	82,998	82,998
Total Water Expenses	146,198	147,462	146,401	149,440
Revenue				
Total Water Revenue	-	-	-	-
Net Costs – Water	146,198	147,462	146,401	149,440
Water Billing Revenues				
Water Billings	79,719	97,156	114,594	132,024
Capital Grants				
Amortization of Water Capital Grants	49,543	49,453	49,453	49,453
Net Operating Surplus/(Deficit) with PUB	(40,867)	(25,176)	(7,166)	6,724
Change in Utility Fund Balance After Transfers	(40,867)	(25,176)	(7,166)	6,724
Reverse PUB Adjustments to Adjust to Public Sector Accounting Board				
Deduct Amortization of Capital Grants	(49,453)	(49,453)	(49,453)	(49,453)
Fund Surplus – Beginning of Year	2,637,440	2,547,119	2,472,492	2,415,871
Fund Surplus – End of Year	2,547,119	2,472,492	2,415,871	2,373,143

The proposed utility rate increases are primarily required to provide funding to eliminate the operating deficit and increase available contingency reserves.

Working Capital Surplus/Deficit

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/deficit is defined as the Utility fund balance, excluding any capital related items plus Utility reserves.

As per the 2016 audited financial statements, the most recent information available, the working capital surplus at December 31, 2016 was:

	2016
Utility Fund Surplus/Deficit	\$2,605,167
Deduct Tangible Capital Assets	(2,626,432)
Add Long-Term Debt	-
Add Utility Reserves	365,896
Equals Working Capital Surplus (Deficit)	\$344,631
Operating Expenses	191,070
20% of Operating Expenses (Target)	\$38,214

The Utility currently meets the Board minimum working capital surplus of 20% and is forecasted to meet this requirement up to and including 2020.

Operating 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 Board is therefore duty bound to approve reasonable rates based on reasonable expense projections.

The Municipality has incurred actual operating deficits of \$60,580 in 2013, \$29,760 in 2014, \$54,736 in 2015, and \$54.840 in 2016 recovered from the Utility's accumulated surplus and provided for accordingly in Board Order No.119/18 dated September 4, 2018.

The Municipality of Grandview Utility's working capital position is forecasted to be in a surplus position up to and including 2020.

Cost Allocation Methodology

The Customer Service Charge for administration costs increases by \$5.17 per quarter in 2018 and 2019 and by \$5.16 in 2020. The Utility's Shared Cost Allocation Plan for non-direct shared services is as follows:

Municipality of Grandview – Grandview Sugarloaf Rural Utility Allocation Plan for Non-Direct Shared Services (see Note 1) as at March, 2017			
Category	Sub-category	Options	
1.0 Administrative Staff			10% of CAO & 15% of Utility Clerk salaries plus benefits
	1.1 Billing services –meter reading to receipting and collection.	Public works staff	Actual time spent based on time sheets
	1.2 Accounting/ auditing/ including bylaw making and enforcement.		-
	1.3 Common office space		-
	1.4 Office overheads (telephone, photocopier, computer, etc.)		\$6,706 in 2017 for overhead and office costs plus 2% a year for inflation
2.0 Operating, construction and maintenance costs			
	2.1 Vehicle – fuel, maintenance, lease costs, capital costs		There is no charge to the Utility for vehicle usage
	2.2 Labor – full time, part time, on call, sick time, vacation (see Note 2)		-
	2.3 Public works building and property.	Costs that could be charged to the Utility are minimal and at present nothing is allocated to the Utility	-
	2.4 Road repairs and alike (see Note 3)	Based on actual costs	-
3.0 Major projects			
	Interest/ financing		Debenture Debt & Manitoba Water Services Board carrying debt for Utility also
	Labor	Based on actual costs	-
	External costs	Direct charge (dedicated consulting)	-

Note 1 – Allocation must be updated periodically to reflect impacts of inflation.

Note 2 – Including salaries and benefits.

Note 3 – If a project involves work benefitting both the Utility and general operations the costs may be shared (i.e. If reconstructing a road and replacing services at the same time, a portion of the roadwork costs may be allocated to the Utility.)

4.0 Board Findings

The Board has reviewed the application and the projections presented by the Municipality in its rate application and finds them to be reasonable. The Board approves the water rates as applied for, but varies the effective dates to January 1, 2019, January 1, 2020 and January 1, 2021.

The Board approves the revised shared cost allocation methodology and reminds the Municipality that this methodology must be used consistently. Any changes to the new, revised cost allocation methodology require Board approval.

The Board requires the Municipality to review its water rates for the Sugarloaf Rural Water Utility for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates on or before December 31, 2021. The Board reminds the Municipality regular review of utility rates are required to ensure rates are adequate to recover the costs of service being provided to its customers.

The Utility has incurred actual operating deficits in four consecutive years from 2013 through 2016. The board requires the Municipality to file for approval of any operating deficit once 2017 audited financials are available, should it materialize.

It has been eleven years since the Municipality has submitted a rate application to the Board. In the Board's view, this is too long a time-period between rate reviews. Regular rate reviews submitted on a timelier three-year period, as per the Board's Guidelines, protect the financial position of the Utility and mitigates the need for substantial rate increases, or in the case of the Sugarloaf Utility, deficit recovery. Had the Utility not had an adequate surplus account, these deficits would have to be collected from the rate payer through a rate rider.

The Municipality needs to be more diligent in conducting rate reviews on a more regular schedule and submit timelier three-year rate applications. This may allow the Town to take advantage of the simplified filing rate application.

The Board has not received the Municipality's 2017 audited financial statements and reminds the Municipality audited financial statements are to be reported to the Board no later than June 30 of the following year.

5.0 IT IS HEREBY ORDERED THAT:

1. The revised water rates for the Municipality of Grandview, Sugarloaf Water Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule “A”, effective January 1, 2019, January 1, 2020, and January 1, 2021.
2. The cost allocation methodology for shared services as submitted by the Municipality of Grandview BE AND IS HEREBY APPROVED.
3. The Municipality of Grandview is to provide a notice of the decisions found in this Order to its customers as soon as possible, with a copy provided to the Public Utilities Board.
4. The Municipality of Grandview amend its water rate By-Law to reflect the decisions in this Order and submit a copy to the Board once it has received third and final reading.
5. The Municipality of Grandview review its water 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 December 31, 2021.
6. The Municipality of Grandview submit its 2017 audited financial statements, with a deficit application if required, as soon as possible.

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.

Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

"Shawn McCutcheon"
Panel Chair

"Frederick Mykytyshyn"
Acting Secretary

Certified a true copy of Order No. 135/18 issued
by The Public Utilities Board


Frederick Mykytyshyn
Acting Secretary

SCHEDULE A

**MUNICIPALITY OF GRANDVIEW
SUGARLOAF RURAL UTILITY
WATER UTILITY RATES BY-LAW NO. 04-2017
SCHEDULE OF QUARTERLY RATES**

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2019

Rates per 1,000 Gallons

1,000 Gallons per quarter

Water

\$8.19

Quarterly Service Charge

\$26.47

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 Customers

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Total Quarterly Minimum
5/8 inch	1	3,000	\$26.47	\$24.57	\$51.04
1 inch	4	12,000	\$26.47	\$98.28	\$124.75

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2020

Rates per 1,000 Gallons

1,000 Gallons per quarter

Water

\$9.63

Quarterly Service Charge

\$31.64

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 Customers**

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Total Quarterly Minimum
5/8 inch	1	3,000	\$31.64	\$28.89	\$60.53
1 inch	4	12,000	\$31.64	\$115.56	\$147.20

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2021

Rates per 1,000 Gallons

1,000 Gallons per quarter

Water

\$11.07

Quarterly Service Charge

\$36.80

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 Customers**

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Total Quarterly Minimum
5/8 inch	1	3,000	\$36.80	\$33.21	\$70.01
1 inch	4	12,000	\$36.80	\$132.84	\$169.64

The following clauses take effect January 1, 2019:1. Service To Customers Outside Utility's Limits

The Council of Municipality of Grandview may sign Agreements with customers for the provision of water services to properties located outside the boundaries of the Municipality of Grandview. 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 Municipality of Grandview's 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. 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.

3. Disconnection

The Public Utilities Board has approved the Conditions Precedent 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. A copy of the conditions precedent is available for inspection at the Municipality's office.

4. Reconnection

Any service disconnected, whether due to non-payment of account or for any other reason(s) mutually agreed to by the customer and the Municipality (i.e. repairs necessitated by negligence of the customer, changes in tenant, vacancy for an extended period of time, etc.) shall not be reconnected until a reconnection fee of \$30.00 and all arrears and penalties, if any, have been paid.

5. 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.

6. 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 of time to prevent the water lines in the water system from freezing, the charge to the 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.

7. Meter Testing

That in any case where a utility customer requests that a meter be tested for accuracy, the customer will provide the Municipality with a deposit of \$200. The Municipality 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 Municipality 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.

8. 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 Municipality's water system. If a condition is found to exist which, in the opinion of the Municipality, is contrary to the aforesaid, the Municipality 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.

9. Conditions of Disrepair

In the event that there are conditions of disrepair in the 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.

10. Authorization For Officer To Enter Upon Premises

The Public Works Manager, or other employee authorized by the Municipality in the absence of the Public Works 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 Municipality.