

**Order No. 172/18**

**PEMBINA VALLEY WATER COOPERATIVE INC.  
WHOLESALE/BULK WATER UTILITY  
REVISED WATER RATES**

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**December 31, 2018**

**BEFORE: Robert Gabor, Q.C., Chair  
Shawn M<sup>c</sup>Cutcheon, Member**

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## 1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves the wholesale/bulk water rates for years 2019, 2020, 2021, 2022 and 2023 for the Pembina Valley Water Cooperative Inc. (PVWC).

The rates are effective January 1, 2019 and January 1 of each subsequent year. The approved rates are shown below.

YEAR	RATE (per 1,000 gal)	INCREASE %
2018	\$8.16	-
2019	\$8.98	10%
2020	\$9.16	2%
2021	\$9.34	2%
2022*	\$9.34 - \$9.53	0 - 2%
2023*	\$9.53 - \$9.72	0 - 2%

\*The upper rate for 2022 and 2023 is based on 2% increase for each of those years. These years are requested as discretionary increases. The rate can be increased by the PVWC's Board of Directors without making application to the Public Utilities Board.

A rate increase of more than the 2% in years 2022 and 2023 would require Board approval.

The reasons for the Public Utilities Board decisions may be found under "Board Findings".

The Pembina Valley Water Cooperative Inc. currently services 18 customers with bulk water. These customer connections are metered and billed monthly, based on consumption. The utility is water only and the current customers include:

- Altona Rural Water Co-op
- Blumengart Colony
- City of Morden
- City of Winkler
- Halbstadt-Marais Water Co-op
- Municipality of Emerson-Franklin
- Municipality of Rhineland
- Roseau River First Nation
- Rural Municipality of Dufferin
- Rural Municipality of Grey
- Rural Municipality of Montcalm
- Rural Municipality of Morris
- Rural Municipality of Roland
- Rural Municipality of Stanley
- Rural Municipality of Thompson
- Town of Altona
- Town of Carman
- Town of Morris

## 2.0 Background

In the early 1990s, a number of municipalities in south central Manitoba joined to form the Pembina Valley Water Cooperative Inc. (PVWC). The purpose was to develop a regional approach to supplying potable water in an area which lacked wide distribution of good, plentiful water resources but which also exhibited the highest rate of economic growth of any region in Manitoba.

The PVWC bills its members on a monthly basis. The payment terms are defined through the “Member’s Obligation”:

*‘A member shall support and promote the business and affairs of the Cooperative and shall be bound by the By-laws and policies of the Cooperative and any unanimous agreement of the members’.*

There are three members with individual agreements with the Cooperative: The City of Morden, City of Winkler and Town of Carman.

The Consultation process for the PVWC is through its standing Board Members. Each Board Member represents their municipality and customers, and is tasked with informing its respective areas with the rate information.

### **Water Treatment and Distribution System**

The PVWC owns three (3) water treatment plants and hundreds of kilometers of transmission pipeline. The PVWC services 13 customers with bulk water and these bulk customers in turn resell the water to their customers, who are connected to their local distribution systems. All plants discharge their waste stream back to the source water.

The Red River Regional water treatment plant, located in Letellier is a 96 L/s cold lime softening plant that draws its raw water from the Red River. The plant was originally built in 1986, with a tripling of capacity and upgrades in 1998. During summer peak days, the plant is operating at or near its design capacity.

The Morris Regional water treatment plant, located in the Town of Morris, was upgraded in 2009 and commissioned in 2010 to a 66 L/s dual membrane treatment process, which draws its raw water from the Red River. Raw water first passes through a microfiltration step, as a turbidity and pathogen barrier. The second membrane process is Nano filtration that is targeted to remove total organic carbon (TOC) and hardness.

The Stephenfield Regional water treatment plant, located in Stephenfield, is a 40 L/s cold membrane treatment process that draws its raw water from Stephenfield Lake. The plant was originally built in 1999, with an upgrade in 2017, which doubled the plants capacity from 20L/s to 40L/s.

In addition to the water treatment plants, the PVWC also owns and operates two reservoir, pumping stations and nine booster stations on the regional system.

The PVWC has a significant distribution system throughout the municipalities. The pipelines installed in the 1980s were plastic pipe and all subsequent extensions and upgrades have been either PVC or HDPE pipe.

There are meter chambers or meters that record the volume of water taken by the customers at the locations where the Towns and Municipalities connect to the distribution system.

After the meter chambers, the distribution networks that bring the water to the end user are not owned or maintained by the PVWC. These systems are owned and operated by their respective Towns and Municipalities. As communities grow and demand increases, the PVWC expands and upgrades their pipe network to facilitate this growth.

### **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 PVWC has a low percentage of unaccounted for water at 2% in 2017.

There has previously been an issue in the Rural Municipality of Dufferin (RM) where there was a significant amount of unaccounted for water. More water was purchased from the PVWC than was sold by the RM. The PVWC states that the issue has now been addressed and is being monitored. The application states that the PVWC, in conjunction with the RM to isolate areas in the pipeline network and add chamber meters to find the areas with the most significant losses.

Through this investigation, it was found that:

- There were minor leaks that had to be repaired by the RM.
- There were areas where the PVWC could have been recirculating water in and out of the RM. However, the PVWC has invested money to add additional pipeline upgrades to improve isolation and increase control of water flow to and from the RM.
- The RM of Dufferin and the PVWC also added more chamber meters to improve billing efficiency.

Once these items were addressed, the volume of unaccounted for water dropped significantly from approximately 30% to 5-10% unaccounted for water. When the volume of unaccounted for water was high, the PVWC provided a discount to the RM. Now that the volume of unaccounted for water is lower, the PVWC is in the process of eliminating that discount.

### **3.0 Application**

On October 9, 2018, the PVWC applied for revised wholesale/bulk water rates for the Utility to be effective January 1, 2019. The application was accompanied by a rate study prepared by the PVWC's consultant and a Board Resolution from members approving major capital projects and water rate increases. Rates were last approved in Board Order No. 103-15 for the years of 2014 to 2018.

A Notice of Application was issued on November 29, 2018, affording stakeholders and customers the opportunity to comment to both the PVWC and the Board with respect to the proposed increases. The Board received four (4) stakeholder responses.

When reviewing an application, the Board has at its disposal two approaches, either a paper or a public hearing review. A public hearing process allows the applicant the opportunity to present its application for revised rates and allows stakeholders the opportunity to present any concerns to the Board in person. A paper review process saves the cost of a public hearing process.

After considering the application and stakeholder response, the Board decided to process this application using a paper-based review.

The application proposed the following increases:

Year	Rate*	Increase
2018	\$8.16	
2019	\$8.98	10%
2020	\$9.16	2%
2021	\$9.34	2%
2022	\$9.53	0-2%
2023	\$9.72	0-2%

For years 2022 and 2023, these are discretionary increases with the maximum increase of 2%.

The rate increases are required to provide adequate revenue for the Utility's operations, maintenance and capital expenditures. From 2019 to 2023, the PVWC assumes an annual increase of 2% annually in the volume of water sold to the growing municipalities in their region. All costs for administration are related to water sales, and are included in the water costs. There is no Service Charge added to the water rate.

## Future Capital Work

The PVWC is anticipating significant capital expenditures, approximately \$16.4M, in the next five (5) years, listed below.

Major Project	Budget Cost	Construction Year	Recovery Method
Morris/St Jean Pipeline	\$ 5,750,000	2019	Rates/Funding
New Reservoir – RRR WTP	\$ 6,300,000	2020	Rates/Funding
Stephenfield Filter Upgrade	\$ 1,625,000	2019	Rates/Funding
Roland to Winkler Pipeline	\$ 2,725,000	2022	Rates/Funding

The PVWC has applied for federal funding for these projects. The intent is to fund these projects, whether it be the full costs or partial costs with funding, through bank loans. The loan repayment will be recovered through the rates.

## Rate Rider for Delinquent Accounts

To handle delinquent accounts and those customers in arrears, the PVWC continues to maintain a separate water class for customers who are late in paying their accounts. (As described in Board Order No. 32/10.)

*“The PVWC can establish a Rate Rider to be applied to the special customer class; this rate rider will be determined based on the amount of arrears owed and be approved by the PUB. The Rate Rider is to be charged on all water provided to the customer(s) in the special customer class. The Rate Rider would remain in effect until the delinquency related balances of the customer(s) in the special customer class are fully recovered. The entire proceeds from the Rate Rider are to be applied against the delinquency related costs incurred for the customer in the special customer class.”*



## 4.0 Board Findings

By this Order, the Board approves the wholesale/bulk water rates for the PVWC, effective January 1, 2019, January 1, 2020, and January 1, 2021 and grants the PVWC the authority to implement increases for 2022 and 2023 effective January 1 of each year, should the PVWC exercise this discretion.

The Board recognizes that the PVWC followed the directive in Board Order No. 103/15 by preparing its rate application using the Board's recommended methodology.

The Board confirms that the PVWC continue with a separate water class rate rider for delinquent customers and customer in arrears, as set out in Board Order No. 32/10.

The Board commends the PVWC for its efforts in managing the unaccounted for water with the investigation into the Rural Municipality of Dufferin's water losses and for installing chamber meters to help isolate the problems.

The Board directs the PVWC to provide advance notice to its members and other customers of all rate changes, with the notice being provided at least 60 days prior to the change, with the exception of the January 1, 2019 increase as it has been published already in local newspapers and publically posted.

The Board requires the PVWC to review its water rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates (using Board approved methodology) for the following five (5) years 2024 and beyond, on or before June 30, 2023.

### Implications for Member Customers

By this Order, the Board also provides approval to the listed members (page three (3) of this Order) of the "pass through" rates. The Board's process for "pass through" rates was originally set out in Board Order No. 124/09.

The pass-through process has been updated below and must be followed by all member municipalities and towns:

- Step 1. Each Municipality/Town or Cooperative shall consider the implications of any increase approved by the Board for the Pembina Valley Water Cooperative Inc.
- Step 2. If the cost increase is to be reflected in the rates of a municipality/town or cooperative, and with the one exception that changes in the rate of water losses in the system may be included, the municipality/town or cooperative **need only inform the Public Utilities Board (Board) and its ratepayers/customers** of the “pass-through” rate change. **The Board requires written notice prior to implementation of a pass-through.**
- Step 3. If rates are to change for any other reason, **the municipality/town must make a full rate application to the Board**, which may decide to proceed to hear the application by way of a paper-based process or by way of an oral public hearing.
- Step 4. Should the municipality/town decide to implement the “pass-through” rate changes, the municipality/town may only increase the water rate the exact increased amount as the PVWC and not as a percent increase. The municipality/town must file an amended rate by-law with the Board and provide a notice of the change to its customers with a copy sent to the Board. The Board requires a copy of the increase **notice being sent from the PVWC to the Municipal or Cooperative Customers.**

## 5.0 IT IS THEREFORE ORDERED THAT:

1. The water rates for the Pembina Valley Water Cooperative Inc. effective for January 1, 2019, January 1, 2020 and January 1, 2021 BE AND ARE HEREBY APPROVED.
2. The Pembina Valley Water Cooperative Inc. may, by a resolution of its Board of Directors, increase the water rate to maximum of 2% per year on January 1, 2022 and January 1, 2023.
3. Pembina Valley Water Cooperative Inc. will provide notice to the Public Utilities Board of any discretionary increases implemented prior to implementation by way of letter.
4. Pembina Valley Water Cooperative Inc. shall advise its member municipalities that in “passing through” the costs of PVWC water rate increase(s) to their customers/ratepayers, the member municipalities must advise their customers and/or ratepayers of the increase(s) and the reason for the increase(s). (I.e. PVWC Public Utilities Board approved rate increases).
5. The process for “pass through” rates by member municipalities will be adhered to, as set out in in this Order.
6. The Pembina Valley Water Cooperative Inc. will review its water rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates (using Board approved methodology) for the following five (5) years, 2024 and beyond on or before June 30, 2023.

Fees payable upon this Order - \$500

