

Order No. 26/19

**RURAL MUNICIPALITY OF THOMPSON
THOMPSON RURAL WATER UTILITY
WATER RATES
EFFECTIVE APRIL 1, 2019, JANUARY 1, 2020 and 2021**

February 25, 2019

**BEFORE: Carol Hainsworth, Panel Chair
Mike Watson, Panel Member**

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1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) approves the revised water and rates for the Rural Municipality of Thompson (RM) Rural Water (Utility). The approved rates are shown below:

	Previous Rates By-Law 7/17	April 1, 2019 Year 1 Rates	January 1, 2020 Year 2 Rates	January 1, 2021 Year 3 Rates
Quarterly service charge	\$ 2.75	\$ 5.68	\$ 8.61	\$ 11.54
Water per 1,000 gallons	\$ 12.27	\$ 14.28	\$ 16.29	\$ 18.31
Minimum quarterly charge*	\$ 39.56	\$ 48.52	\$ 57.48	\$ 66.47
Reconnection fee	\$ 50.00	\$ 35.00	\$ 35.00	\$ 35.00
*Based on 3,000 gallons				

Note the water rates in the table include the pass-through rate increase from the PVWC of \$0.35 per 1,000 gallons as outlined in By-law 8/18.

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

The reasons for the Board's decisions may be found under "Board Findings".

2.0 Background

The RM owns and operates the Thompson Rural Water Utility serving 112 customers. All water utility customers are metered. Utility bills are mailed out quarterly separate from property tax bills. The Utility does not service any customers outside the RM.

Rates were last approved in Board Order No. 178/07 and are periodically increased by pass-through rate increases from Pembina Valley Water Cooperative (PVWC).

Water Supply/Distribution

The RM purchases treated water from the PVWC. Treated water is re-chlorinated at the Miami Urban plant and then distributed to both the Miami Urban and Thompson Rural Utilities. The Utility was constructed from 2003 to 2006.

Unaccounted for Water

As per the Board's Guidelines, the acceptable percentage of unaccounted for water is 10%, which is an industry standard.

The Utility's unaccounted for water is 17% for 2016 and is higher than the Board's guideline limit of 10%.

The water is purchased from the PVWC and metered at the Miami plant then distributed to both the Miami and Thompson Rural Utilities. The water is allocated to each utility based on percentage of water sold.

3.0 Application

On June 28, 2017, the Board received an application for revised rates from the RM for the Utility. The application was accompanied by a rate study completed by the RM's consultant and By-law 9/17 read for the first time on June 22, 2017.

The RM states that the revised rates are primarily required to cover the annual operating deficit.

A Public Notice of Application was issued on September 12, 2017 affording customers the opportunity to comment to both the Board and the RM with respect to the proposed rate increases. No stakeholder responses were received.

When reviewing an application, the Board has at its disposal two approaches, a paper review process or a public hearing. After the publication of the Notice of Application, the Board considers the application and responses, if any, 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. The Board has reviewed this application and has chosen a paper review process.

On March 27, 2018, the RM advised the Board of pass through rate increases from the PVWC along with By-law 8/18 given the third and final reading on March 22, 2018. The rates increased from \$11.92 per 1,000 gallons to \$12.27 per 1,000 gallons, an increase of \$0.35 per 1,000 gallons.

There are no capital projects for the Utility included in the RM's five (5) year capital plan.

The rates were calculated based on the following revenue projections and an inflation of 2% in all calculations.

Schedule of Utility Rate Requirements - Thompson Rural Water Utility		
2019 to 2020 Forecasts (\$)		
	2019	2020
General		
Expenses		
Administration	5,100.00	5,202.00
Billing and collection	1,821.00	1,857.00
Total General Expenses	6,921.00	7,059.00
Revenue		
Penalties	832.00	849.00
Other income	1,020.00	1,040.00
Total General Revenue	1,852.00	1,889.00
Net Costs General	5,069.00	5,170.00
Water		
Expenses		
Purification and treatment	27,510.00	28,060.00
Water purchases	49,939.00	50,938.00
Amortization	59,496.00	59,496.00
Total Water Expenses	136,945.00	138,494.00
Revenue		
Bulk water sales	-	-
Net Costs - Water	136,945.00	138,494.00

lin Board Order No. 12/17 the Board approved the recovery of the 2014 deficit in the amount of \$63,478 and 2015 deficit in the amount of \$63,616 through the working capital surplus. In the application, the RM advised the Board that the annual grant amortization of \$61,087 was overlooked in the deficit application and the actual adjusted deficits, as per the Public Sector Accounting Board rules, were \$2,391 and \$2,529.

The RM has also proposed for the Board's consideration to increase the amortization of the Utility water lines and grant amortization from the existing 30 year amortization period to 50 years. This is being requested to be inline with the audited financial statements

which state that underground networks are to be amortized over 40 to 60 years and the 50 year amortization period of the RM's other Utility.

Working Capital Surplus

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

As per the 2017 audited financial statements, the working capital deficit at December 31, 2017 was:

	2017	2016	2015
Fund Surplus	\$1,731,103	\$1,801,084	\$1,886,943
Deduct Tangible Capital Assets	(\$1,703,519)	(\$1,790,197)	(\$1,870,958)
Add Long-Term Debt	-	-	\$5,979
Add Utility Reserves	\$51,015	\$52,756	\$28,096
Equals Working Capital (Deficit)	\$78,599	\$63,643	\$50,060
Expenses	\$171,349	\$168,807	\$164,732
20% of Expenses (Target)	\$34,270	\$33,761	\$32,946

The above-noted working capital calculation for the Utility meets the Board recommended 20% of operating expenses.

Cost Allocation Methodology

The Board requires all municipal governments to review the costs shared between its general operations and the Utility, and to allocate appropriate and reasonable costs to the Utility, based on a policy known as a Cost Allocation Methodology. This allocation must be submitted to the Board for approval and cannot be changed without receiving approval from the Board. The Board's requirements regarding cost allocation methodologies can be found in Board Order No. 93/09.

Rural Municipality of Thompson – Thompson Rural Utility Allocation Plan for Non-Direct Shared services		
Category	Sub-category	Allocation of Costs
1.0 Administrative Staff		\$5,000 in 2018; increasing by 2% a year thereafter for Administration
1.1 Billing services –meter reading to receipting and collection.		\$1,750 in 2018, increasing by 2% a year thereafter
1.2 Accounting/ auditing/ including bylaw making and enforcement.		
1.3 Common office space		
1.4 Office overheads (telephone, photocopier, computer, etc)		
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 Labour – full time, part time, on call, sick time, vacation, Note 2		\$5,000 in 2018, increasing by 2% a year thereafter
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 (Note 3)		Based on actual costs
3.0 Major projects		
3.1 Interest/ financing		N/A
3.2 Labour		Based on actual costs
3.3 External costs		Direct charge (dedicated consulting)

Note 1: Allocation must be updated periodically to reflect the 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 e.g. re-constructing a road and replacing services at the same time – a portion of the road work may be allocated to the utility.

Contingency Allowance and Utility Reserves

As per the Board's Water and Wastewater Rate Application Guidelines, a yearly allowance equal to 10% of the variable operating costs is recommended for contingency allowance.

The RM has included in the rates a contingency allowance of 10% of net rate costs, less amortization expenses and interest costs. This equates to \$3,950 built into water rates.

There is no transfer to Utility Reserve included in the application. The RM finds that the annual amortization of \$22,844 for water infrastructure over 50 years, net of capital grant amortization, should be sufficient to fund future capital needs.

4.0 Board Findings

The Board has reviewed the application and revenue projections presented by the RM and finds them to be acceptable. The Board approves the water rates, but varies the effective dates to April 1, 2019, January 1, 2020 and January 1, 2021.

The pass-through rate increase from the PVWC of \$0.35 per 1,000 gallons as outlined in By-law 8/18 has been added to the water commodity rate applied for by the RM.

The Board approves the Cost Allocation Methodology and reminds the RM that this method must be used consistently and requires Board approval should any further changes be considered.

The Board also approves the proposed 50 year amortization of the Rural Utility water lines and grant amortization.

The Board is concerned with the percentage of unaccounted for water losses and encourages the Utility to work with the PVWC and to seek solutions to reduce these losses to within acceptable levels.

By law, Manitoba utilities are not allowed to incur deficits. The Board notes the Utility has incurred a deficit in 2017 and is projecting a deficit for 2018. The Board directs the RM to review its 2017 and 2018 audited financials statements and submit a PUB Schedule 9 with deficit application if applicable, with a proposed method of recovery, on or before July 15, 2019.

The Board is sensitive to customer reaction to the magnitude of the rate increases, however, must consider the sustainability of the Utility when approving rates. It has been 12 years since the last rate change has taken place for the Rural Water Utility. Consumers are generally more tolerant of regular, smaller increases. The RM needs to be more diligent in conducting regular reviews of its revenue requirements.

The Board would like to remind the RM that regular reviews are important for a financially sound utility and encourages the RM to review Board Order No. 86/17 for future rate applications. The Order outlines the Simplified Rate Application Process for municipally owned public utilities. If, after its rate review, the RM finds it meets the designated criteria for a simplified rate application, it should apply for future rates using the Simplified Rate Application Process.

The Board requires the RM to review its water rates for adequacy and file a report with the Board, as well as an application for revised rates if required, on or before December 31, 2021.

5.0 IT IS THEREFORE ORDERED THAT:

1. The water rates for the Rural Municipality of Thompson – Rural Water Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule “A” to this Order, effective April 1, 2019, January 1, 2020 and January 1, 2021.
2. The Cost Allocation for shared services as submitted by the Rural Municipality of Thompson BE AND IS HEREBY APPROVED.
3. The amortization of the Rural Utility water lines and grant amortization be changed to 50 years.
4. The Rural Municipality of Thompson review its 2017 and 2018 audited financial statements and submit an application to recover deficits on or before July 15, 2019.
5. The Rural Municipality of Thompson is to provide notice of the decisions found in this Order to its customers as soon as possible, with a copy submitted to the Public Utilities Board.
6. The Rural Municipality of Thompson 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.
7. The Rural Municipality of Thompson review the Rural Water Utility water rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates (if applicable), on or before December 31, 2021.

Fees payable upon this Order - \$500.00

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

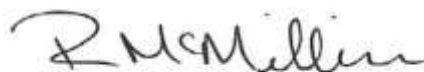
"Carol Hainsworth, C.B.A."

Panel Chair

"Rachel McMillin, BSc."

Assistant Associate Secretary

Certified a true copy of Order No. 26/19
issued by The Public Utilities Board



Assistant Associate Secretary

**RURAL MUNICIPALITY OF THOMPSON
RURAL UTILITY
WATER UTILITY RATES BY-LAW NO. 10/17**

SCHEDULE "A"

1. Schedule of Commodity Rates & Quarterly Service Charge **April 1, 2019**
- Rates per 1,000 Gallons 1,000 Gallons per quarter
- Water
- \$14.28
-
- Quarterly Service Charge \$5.68

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

<u>Meter Size</u>	<u>Ratio</u>	<u>Group Capacity</u> Water Included Gallons	<u>Customer Service Charge</u>	<u>Water Commodity Charge</u>	<u>Water Only Total Quarterly Minimum</u>
5/8 inch	1	3,000	\$5.68	\$42.84	\$48.52
¾ or 1 inch	2	12,000	\$5.68	\$171.36	\$177.04

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2019

Rates per 1,000 Gallons

1,000 Gallons per quarter

Water

\$16.29

Quarterly Service Charge

\$8.61

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	Water Only Total Quarterly Minimum
5/8 inch	1	3,000	\$8.61	\$48.87	\$57.48
1 inch	4	12,000	\$8.61	\$195.48	\$204.09

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2020

Rates per 1,000 Gallons

1,000 Gallons per quarter

Water

\$18.31

Quarterly Service Charge

\$11.54

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

<u>Meter Size</u>	<u>Ratio</u>	<u>Group Capacity</u>	<u>Water Included</u>	<u>Customer Service Charge</u>	<u>Water Commodity Charge</u>	<u>Water Only Total Quarterly Minimum</u>
5/8 inch	1		3,000	\$11.54	\$54.93	\$66.47
1 inch	4		12,000	\$11.54	\$219.72	\$231.26

The following clauses take effect April 1, 2019:

1. Service To Customers Outside Utility's Limits

The Council of Rural Municipality of Thompson may sign Agreements with customers for the provision of water services to properties located outside the boundaries of the Rural Municipality of Thompson. 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 Rural Municipality of Thompson'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 (ie. 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 \$35.00 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 to 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.