

Order No. 36/19

**RURAL MUNICIPALITY OF STANLEY
WATER UTILITY
REVISED WATER RATES EFFECTIVE APRIL 1, 2019
SIMPLIFIED RATE APPLICATION**

March 25, 2019

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

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1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves the revised water rates for the Rural Municipality of Stanley (RM) Water Utility (Utility), to be effective April 1, 2019. The approved rates are shown below:

	Previous Rates By-Law 12/17	By-Law 3-19 (Pass through PVWC)	April 1, 2019 Rates By-Law 13-18	Percentage Increase
Quarterly Service Charge	\$ 11.00	\$ 11.00	\$ 11.33	3%
Water-Massey System (per 1,000 gallons)	\$ 5.80	\$ 5.80	\$ 5.97	3%
Water-Other Systems (per 1,000 gallons)	\$ 11.41	\$ 12.23	\$ 12.33	1%
Minimum Quarterly Charge - Massey System*	\$ 28.40	\$ 28.40	\$ 29.24	3%
Minimum Quarterly Charge - Other Systems*	\$ 43.13	\$ 47.69	\$ 48.32	1%
Reconnection Fee	\$ 25.00	\$ 25.00	\$ 25.00	0%
*Based on 3,000 gallons				

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

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

2.0 Background

The RM owns and operates a water only utility consisting of the following water systems: Massey Water System, Colert Water System, Schanzenfeld Water System, Reinfeld Water System, Blumstein Water System, Dunston Water System and Three-Four Water System.

The RM purchases most of its water from the Pembina Valley Water Cooperative (PVWC), to supply water to all systems with the exception of the Colert and Massey Systems. The Colert system is supplied with water purchased from the City of Morden and the Massey system has its own groundwater supply treated at an RM owned water treatment plant.

3.0 Application

On January 17, 2019, the RM applied for revised water rates for the Utility. The application was submitted using the Board's simplified rate application process and accompanied by By-law No. 13-18, having received first reading on December 20, 2018. Rates were last set in December 2015, approved by Board Order No. 130/15. Water rates are periodically increased due to pass-through increases from PVWC.

A Public Notice of Application was issued on January 21, 2019, affording customers the opportunity to comment to both the Board and the Municipality with respect to the proposed rate increases. Neither the Board nor the Municipality received responses regarding the Notice of Application.

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 along with 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. The Board has chosen a paper review process for this application.

This rate increase was applied for by the RM to keep the Utility rates in-line with inflationary costs. The utility operations are not currently experiencing any operating deficits and have been recognizing surpluses on an annual basis. This increase in rates is adequate to meet the RM's 2019 operating costs for the utility.

After the RM submitted the rate application, on January 30, 2019, the RM notified the Board of pass through increases for water purchased from the PVWC in the amount of \$0.82 per 1,000 gallons effective January 1, 2019.

The breakdown of proposed water rates is as follows:

	Current Rates	Proposed rates	Percentage Increase
Massey System (per 1,000 gallons)	\$5.80	\$5.97	3%
Other Systems (per 1,000 gallons)	\$11.41	\$12.33	8%
RM Cost (per 1,000 gallons)	\$3.25	\$3.35	3%
PVWC Cost (per 1,000 gallons)	\$8.16	\$8.98*	10%

*PVWC water rates increased by \$0.82 per Order 172/18. Rates per By-law 3-19.

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 surplus at December 31, 2017 was:

Accumulated Fund Surplus (Deficit)	\$8,480,671
Deduct: Tangible Capital Assets	(\$9,320,605)
Add: Long Term Debt	\$624,232
Add: Utility Reserves	\$808,606
Equals Working Capital Surplus (Deficit)	\$592,904
Operating Costs	\$1,312,195
20% of Operating Costs (Target)	\$262,439

The Utility is over the Board's minimum working capital surplus of 20%. Under the Board's Simplified Rate Application Process, the Utility must explain any working capital in excess of the 20% target.

The Utility had higher actual than budgeted revenues in water sales and connection charges in 2017. The actual water sales for 2017 of \$1,011,548 compared with the budgeted amount of \$940,000 was due to an increase in customer accounts. The same is true for connection charges, the RM had more residents connection to the system in 2017 than estimated.

4.0 Board Findings

The Board has reviewed the financial projections and application, and has determined that the RM meets the required criteria (set out in Schedule A to Board Order No. 86/17) to apply using the Simplified Rate Application process, and provides a satisfactory explanation for the large working capital surplus. .

The Board approves the rates as applied for effective April 1, 2019.

The Board commends the RM for its compliance with Board guidelines and directives.

If the Utility continues to meet the designated criteria for the Simplified Rate Application process, and only requires up to a 3% increase in rates, the Board encourages the RM to file using the simplified method again.

Should the Municipality require fee increases, additional rate increases, rate increases above 3%, or multi-year rate increase, the RM will have to submit a rate application to the Board using the full rate application process.

The Rural Municipality of Stanley is to review its water utility 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 January 31, 2020.

5.0 IT IS THEREFORE ORDERED THAT:

1. Revised water and wastewater rates for the Rural Municipality of Stanley – Water Utility BE AND ARE HEREBY APPROVED in accordance with the attached Schedule “A”, effective April 1, 2019.
2. The Rural Municipality of Stanley amend its water rate By-law to reflect the decisions in this Board Order and submit a copy to the Board once it has received third and final reading.
3. The Rural Municipality of Stanley provide a notice to its customers as soon as possible, including all decisions found in this Order.
4. The Rural Municipality of Stanley 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 January 31, 2020.

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.

THE PUBLIC UTILITIES BOARD

“Shawn McCutcheon”

Panel Chair

“Rachel McMillin, BSc.”

Assistant Associate Secretary

Certified a true copy of Order No. 36/19
issued by The Public Utilities Board



Assistant Associate Secretary

SCHEDULE "A"

RURAL MUNICIPALITY OF STANLEY WATER RATES BY-LAW No. 13-18

SCHEDULE OF QUARTERLY RATES:

1. Commodity Rates per 1,000 Imperial Gallons

(a) All Customers Connected to the Massey Distribution System

	<u>Water</u>
All Water Consumption	\$5.97

(b) All Other Customers

	<u>Water</u>
All Water Consumption	\$12.33
*includes purchased water costs	

2. Minimum Charges, Quarterly

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

(a) All Customers Connected to the Massey Distribution System

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption (IGAL)	Service Charge	Commodity Rates Water	Minimum Quarterly Charges
5/8"/3/4"	1	3,000	\$11.33	\$17.91	\$29.24
1"/11/2"	4	12,000	\$11.33	\$71.64	\$82.97

(b) All Other Customers

Group Meter Size	Minimum Capacity Ratio	Quarterly Consumption (IGAL)	Service Charge	Commodity Rates Water	Minimum Quarterly Charges
5/8"/3/4"	1	3,000	\$11.33	\$36.99	\$48.32
1"	4	12,000	\$11.33	\$147.96	\$159.29
1 1/2"	10	30,000	\$11.33	\$369.90	\$381.23
2"	25	75,000	\$11.33	\$924.75	\$936.08

3. Service To Customers Outside of the Municipality

The Council of The Rural Municipality of Stanley may sign agreements with another municipality for the provision of water services outside the Municipal boundaries. Such agreements shall provide for payment of the appropriate rates set out in the Schedule, as well as the 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 those 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. Service To Customers Inside the Municipality

The Council of The Rural Municipality of Stanley may provide for the provision of water services to properties located within the Municipality. All approved applications shall be serviced as per a connection policy and fee schedule established by Council. In addition to the rates and terms set out in Schedule "A" of this by-law, all costs of connecting to the utility's mains, and installing service connections will be paid by the customer.

5. Billing And Penalties

Accounts shall be billed quarterly, and shall be due and payable 30 days after date of billing. A penalty of 1.25% per month of the amount of the bill shall be added if not paid by the due date.

6. 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 due date. The Public Utilities Board has approved the Conditions Precedent to be followed by the municipality with respect to the 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.

7. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and reconnection fee of \$25.00 have been paid. Any customer wishing to have billings discontinued due to vacancy of premises shall be required to have service disconnected and to pay \$25.00 reconnection fee when service resumes.

8. Outstanding Bills

Pursuant to section 252(2) of the Municipal Act, the amount of all outstanding charges for water and sewer service may be collected by the municipality in the same manner as a tax may be collected or enforced under this Act.

9. Water Allowance Due to Line Freezing

That in any case where, at the request of the Council, the 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.

10. Water Meters

- (a) The meter shall be installed by a registered plumber or qualified installer and the costs shall be the responsibility of the property owner.
- (b) The meter shall be installed 75 cm above the floor or as approved by the Municipality.
- (c) The meter shall be located as close as practical to the point of entry of the water line. Ample room must be provided for access to the meter and main valve at all times.
- (d) The meter shall be in a horizontal position with the main shut off valve immediately before the meter.
- (e) No distribution piping or ports shall be allowed before the meter.
- (f) The meter shall be protected from any type of damage including freezing.
- (g) Costs for any damage and labour for repairs to the water meter and associated equipment shall be the responsibility of the property owner.