

Order No. 64/19

**MUNICIPALITY OF HAMIOTA
HAMIOTA WATER AND WASTEWATER UTILITY
INTERIM *EX PARTE* WATER & WASTEWATER RATES
FOR JULY 1, 2019, 2020, 2021 AND 2022
OPERATING DEFICIT RECOVERY FOR 2017, 2018 and 2019**

May 17, 2019

**BEFORE: Shawn McCutcheon, Panel Chair
Mike Watson, Panel Member**

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1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves, on an interim *ex parte* basis, water and wastewater rates applied for by the Municipality of Hamiota (Municipality), for the Hamiota Water and Wastewater Utility (Utility).

The revised rates are to be effective July 1, 2019, 2020, 2021 and 2022. The approved interim rates are shown below.

	Current By- Law 10/91	July 1, 2019	Oct 1, 2019	July 1, 2020	July 1, 2021	Oct 1, 2022
Water per 1,000 gallons	\$ 8.50	\$ 9.27	\$ 9.27	\$ 9.65	\$ 10.03	\$ 10.03
Wastewater per 1,000 gallons	\$ 1.10	\$ 2.67	\$ 2.67	\$ 3.46	\$ 4.24	\$ 4.24
Quarterly Service Charge	\$ 4.95	\$ 13.91	\$ 13.91	\$ 18.39	\$ 22.87	\$ 22.87
Rate rider per 1,000 gallons*	\$ 1.79	\$ 1.79	\$ -	\$ -	\$ -	\$ -
Rate rider per 1,000 gallons**	\$ -	\$ -	\$ 1.55	\$ 1.55	\$ 1.55	\$ -
Minimum Quarterly Charge***	\$ 39.12	\$ 55.10	\$ 54.38	\$ 62.37	\$ 70.33	\$ 65.68
Hydrant rental fee	\$ 60.00	\$ 125.00	\$ 125.00	\$ 125.00	\$ 125.00	\$ 125.00

*2016 deficit approved in Board Order No. 113/18 effective September 16, 2018 for one year

**2017, 2018 and 2019 deficit recovery

***Based on 3,000 gallons and includes rate riders

The Board approves recovery of operating deficits in the amount of \$52,967 (2017), \$24,793 (2018) and \$27,043 (2019) through a rate rider of \$1.55 per 1,000 gallons for a period of three years beginning October 1, 2019.

Details of other rates are in the attached Schedule "A".

The reasons for the Board's decisions are under "Board Findings".

2.0 Application

On February 21, 2019, the Board received an application for revised rates from the Municipality for the Hamiota Wastewater Utility. The application was accompanied by a rate study completed by the Municipality's consultant and By-law 2019-01 read for the first time on January 16, 2019. The application also included Council Resolution #5 requesting that the Board approve operating deficits of \$52,967 (2017), \$24,793 (2018) and \$27,043 (2019). The Municipality requested approval to recover the deficits through a rate rider of \$1.55 per 1,000 gallons for a three year period commencing October 1, 2019.

The Municipality requested that the Board approve the requested Utility rates on an interim *ex parte* basis.

Rates were last approved in Board Order No. 88/92, with current rates going into effect in 1992. In Board Order No. 113/18 the Board approved the recovery of the 2016 deficit in the amount of \$37,975 through a rate rider of \$1.79 per 1,000 gallons beginning September 16, 2018. The rate rider was to be collected over a period of one year.

When reviewing an application, the Board has at its disposal several approaches. It can hold a public hearing at which the applicant can present its case and customers can present their concerns. In other cases, where it is deemed to be in the best interests of the Utility and its customers, the Board may review the application using a paper review process.

Where there is an urgent need for a rate increase and the Board determines it to be in the best interest of all parties, the Board may also establish interim *ex parte* rates. Interim rates are typically approved as applied for, and are then subject to a Public Notice of Application and the Board's review using one of the processes outlined above, before being confirmed as final by Board Order.

The use of interim rates is reserved for instances where a Municipality can show there is a compelling argument to allow it. This is typically done by showing the Board that the utility is

experiencing operating deficits and will continue to do so if revised rates are not approved in an expedited manner.

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 2017 audited financial statements, the most recent information available, the working capital surplus at December 31, 2017 was:

	2017
Accumulated Fund Surplus/Deficit	\$1,424,664
Deduct tangible capital assets	\$1,574,335
Add long term debt	\$ -
Add utility reserves	\$ 26,231
Equals Working Capital Surplus/Deficit	-\$ 123,440
Operating costs	\$ 294,732
20% of operating costs (target)	\$ 58,946

The Utility does not meet the Board minimum working capital surplus of 20% and based on the rates requested is not forecasted to meet this requirement until 2021.

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's application included a request that the Board grant approval of operating deficits in the amount of \$52,967 (2017), \$24,793 (2018) and \$27,043 (2019) through a rate rider of \$1.55 per 1,000 gallons for a period of two years beginning October 1, 2019.

3.0 Board Findings

The Board approves, on an interim *ex parte* basis, the water and wastewater rates as applied for by the Municipality effective July 1, 2019, 2020, 2021 and 2022. The Board makes this interim rate decision to mitigate the operating deficits the Hamiota Utility is experiencing.

The Board also notes that the Municipality has requested rates that do not meet the revenue requirements of the Utility, part of which includes a transfer to reserves of \$25,000 per year. The Board will remind the Utility that there should not be a transfer to the Utility reserve unless there is a surplus from operations to support it. A contribution to reserves should not result in an operating deficit for the Utility.

A Notice of the Application to inform the ratepayers of the interim water and wastewater rate increases will be issued.

After reviewing the deficit application, the Board found that the Utility has been incurring deficits since 2016, which indicates the rates that the Municipality has been charging have not been sufficient to cover the Utility's expenses for several years.

The Board notes it has been 27 years since the Utility's rates were last approved and increased, which was in Board Order No. 88/92, issued in 1992. In the Board's view, this is too long between rate reviews. Regular rate reviews submitted within a three year period, as per the Board's Guidelines, protects the financial position of the Utility and mitigates the need for substantial rate increases.

The Board also notes that the Municipality had not previously adjusted the rates to include amortization. As of January 1, 2009, the Public Sector Accounting Board (PSAB) set new standards for public sector accounting. The Government of Manitoba adopted the new national PSAB standards and required all municipalities and their utilities to comply. PSAB standards have had significant implications with respect to annual financial reporting and utility ratemaking. The requirement for the amortization/depreciation of utility assets to be included as an expense in utility financial statements has increased the total expenses, which need to be recovered through rates.

Board Order No. 93/09 outlines that utilities are required to establish asset amortization rates and record annual amortization as an expense of the utility. This Board Order is available on the Board's website. While the Municipality has now provided for amortization expense within its new rate application (currently before the Board), this was not done in prior years. As a result, there is a significant increase in rates for customers, which now include the amortization expense.

It is the Utility's responsibility to review and ensure rates are adequate to recover the cost of service being provided to its customers. Customers are generally more tolerant of regular, smaller increases. The Municipality needs to be much more diligent in conducting regular reviews of its revenue requirements.

4.0 IT IS HEREBY ORDERED THAT:

1. The Municipality of Hamiota's application for revised water and wastewater rates for the Hamiota Water and Wastewater Utility BE AND ARE HEREBY APPROVED on an interim *ex parte* basis, in accordance with the attached Schedule "A", effective July 1, 2019, 2020, 2021 and 2022.
2. The Municipality of Hamiota amend its water and wastewater by-law to reflect the decisions in this Board Order and file a copy with the Public Utilities Board, once it has received third and final reading.

3. The Municipality of Hamiota, Hamiota Water and Wastewater Utility provide notice of the interim rates to its customers.
4. The actual and budgeted operating deficits, when calculated for regulatory purposes, of \$52,967 (2017), \$24,793 (2018) and \$27,043 (2019) incurred in the Municipality of Hamiota, Hamiota Water and Wastewater Utility, are HEREBY APPROVED to be recovered through a rate rider of \$1.55 per 1,000 gallons, effective October 1, 2019 to September 30, 2022.

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 - \$150.00

THE PUBLIC UTILITIES BOARD

"Shawn McCutcheon"

Panel Chair

"Jennifer Dubois, CPA, CMA"

Assistant Associate Secretary

Certified a true copy of Order No. 64/19 issued
by The Public Utilities Board



Assistant Associate Secretary

**MUNICIPALITY OF HAMIOTA
HAMIOTA UTILITY WATER & SEWER UTILITY RATES BY-LAW NO.
SCHEDULE "A" SCHEDULE OF QUARTERLY RATES**

1. Schedule of Commodity Rates & Quarterly Service Charge

July 1, 2019

Rates per 1,000 Gallons

1,000 Gallons per quarter

Water	Sewer	Water & Sewer
\$9.27	\$2.67	\$11.94

Quarterly Service Charge \$13.91

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 & Sewer Customers**

Meter Size	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Deficit Rate Rider (see Clause 3) \$1.79/1,000	Water & Sewer Total Quarterly Minimum
5/8 inch	3,000	\$13.91	\$27.81	\$8.01	\$5.37	\$55.10
3/4 inch	6,000	\$13.91	\$55.62	\$16.02	\$10.74	\$96.29
1 inch	12,000	\$13.91	\$111.24	\$32.04	\$21.48	\$178.67
1 ½ inch	30,000	\$13.91	\$278.10	\$80.10	\$53.70	\$425.81
2 inch	75,000	\$13.91	\$695.25	\$200.25	\$134.25	\$1,043.66

b) **Water Only Customers**

The minimum charge will be the same for each meter size as shown above but the Sewer Commodity Charge will be excluded.

1. Schedule of Commodity Rates & Quarterly Service Charge

October 1, 2019

Rates per 1,000 Gallons

1,000 Gallons per quarter

Water	Sewer	Water & Sewer
\$9.27	\$2.67	\$11.94

Quarterly Service Charge \$13.91

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 & Sewer Customers**

Meter Size	Water	Customer	Water	Sewer	Deficit Rate	Water & Sewer
	Included	Service	Commodity	Commodity	(see Clause 3)	Total Quarterly
	Gallons	Charge	Charge	Charge	\$1.55/1,000	Minimum
5/8 inch	3,000	\$13.91	\$27.81	\$8.01	\$4.65	\$54.38
3/4 inch	6,000	\$13.91	\$55.62	\$16.02	\$9.30	\$94.85
1 inch	12,000	\$13.91	\$111.24	\$32.04	\$18.60	\$175.79
1 ½ inch	30,000	\$13.91	\$278.10	\$80.10	\$46.50	\$418.61
2 inch	75,000	\$13.91	\$695.25	\$200.25	\$116.25	\$1,025.66

b) **Water Only Customers**

The minimum charge will be the same for each meter size as shown above but the Sewer Commodity Charge will be excluded.

1. Schedule of Commodity Rates & Quarterly Service Charge

July 1, 2020

Rates per 1,000 Gallons

1,000 Gallons per quarter

	Water	Sewer	Water & Sewer
	\$9.65	\$3.46	\$13.11
Quarterly Service Charge	\$18.39		

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 & Sewer Customers**

Meter Size	Water	Customer	Water	Sewer	Deficit Rate	Water & Sewer
	Included	Service	Commodity	Commodity	(see Clause 3)	Total Quarterly
	Gallons	Charge	Charge	Charge	\$1.55/1,000	Minimum
5/8 inch	3,000	\$18.39	\$28.95	\$10.38	\$4.65	\$62.37
3/4 inch	6,000	\$18.39	\$57.90	\$20.76	\$9.30	\$106.35

1 inch	12,000	\$18.39	\$115.80	\$41.52	\$18.60	\$194.31
1 ½ inch	30,000	\$18.39	\$289.50	\$103.80	\$46.50	\$458.19
2 inch	75,000	\$18.39	\$723.75	\$259.50	\$116.25	\$1,117.89

b) Water Only Customers

The minimum charge will be the same for each meter size as shown above but the Sewer Commodity Charge will be excluded.

1. Schedule of Commodity Rates & Quarterly Service Charge

July 1, 2021

Rates per 1,000 Gallons

1,000 Gallons per quarter

	Water	Sewer	Water & Sewer
	\$10.03	\$4.24	\$14.27

Quarterly Service Charge

\$22.87

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 & Sewer Customers

Meter Size	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Deficit Rate	Water & Sewer Total Quarterly Minimum
					Rider (see Clause 3) \$1.55/1,000	
5/8 inch	3,000	\$22.87	\$30.09	\$12.72	\$4.65	\$70.33
3/4 inch	6,000	\$22.87	\$60.18	\$25.44	\$9.30	\$117.79
1 inch	12,000	\$22.87	\$120.36	\$50.88	\$18.60	\$212.71
1 ½ inch	30,000	\$22.87	\$300.90	\$127.20	\$46.50	\$497.47
2 inch	75,000	\$22.87	\$752.25	\$318.00	\$116.25	\$1,209.37

b) Water Only Customers

The minimum charge will be the same for each meter size as shown above but the Sewer Commodity Charge will be excluded.

1. Schedule of Commodity Rates & Quarterly Service Charge

October 1, 2022

Rates per 1,000 Gallons

1,000 Gallons per quarter

	Water	Sewer	Water & Sewer
	\$10.03	\$4.24	\$14.27
Quarterly Service Charge	\$22.87		

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.

c) Water & Sewer Customers

	Water Included	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Water & Sewer Total Quarterly Minimum
<u>Meter Size</u>	<u>Gallons</u>	<u>Charge</u>	<u>Charge</u>	<u>Charge</u>	<u>Minimum</u>
5/8 inch	3,000	\$22.87	\$30.09	\$12.72	\$65.68
3/4 inch	6,000	\$22.87	\$60.18	\$25.44	\$108.49
1 inch	12,000	\$22.87	\$120.36	\$50.88	\$194.11
1 ½ inch	30,000	\$22.87	\$300.90	\$127.20	\$450.97
2 inch	75,000	\$22.87	\$752.25	\$318.00	\$1,093.12

d) Water Only Customers

The minimum charge will be the same for each meter size as shown above but the Sewer Commodity Charge will be excluded.

The following clauses take effect July 1, 2019:

3. Deficit Rate Rider

Deficit Rate Rider of \$1.79 per 1,000 gallons effective October 1, 2018 to September 30, 2019 for 2016 audited deficit based on a 1 year recovery period.

Deficit Rate Rider of \$1.55 per 1,000 gallons effective October 1, 2019 to September 30, 2022 for 2017 audited and 2018 & 2019 budgeted deficits calculated based on a 3 year recovery period as follows:

2017 actual deficit \$52,967.
2018 budgeted deficit \$24,793.
2019 budgeted deficit \$27,043.
Total to recover \$104,803.

Divided by 2017 water volume sold 22,585,000 gallons
Deficit Rate Rider, per 1,000 gallons over 3 years: \$1.55 per 1,000 gallons

4. Billings and Penalties

Accounts shall be billed quarterly based on water used. A late payment penalty charge of 1 ¼% compounded monthly shall be charged on the dollar amount owing after the billing due date. The due date will be at least fourteen (14) days after the mailing of the bills.

5. Disconnection and Reconnection

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.

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$40.00 have been paid.

6. Liability for Charges

Pursuant to Section 252 (2) of the Municipal Act, the amount of all outstanding charges for water and sewer services, including fines and penalties, are a lien and charge upon the land serviced, and may be collected in the same manner in which ordinary taxes upon the land are collectible, and with like remedies

7. Hydrant Charges

The Municipality of Hamiota, or any other hydrant owner, will pay to the Utility a fee of \$125 per hydrant for the purpose of maintaining and repairing all fire hydrants connected to the system which shall include the cost of water used for firefighting.

8. 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.

9. Sewer Surcharges

a) There may be levied annually, in addition to the rates set forth above, a special surcharge on sewage having a Biochemical Oxygen Demand in excess of 300 parts per million, to be set by Resolution of Council.

b) A special surcharge for substances requiring special treatment shall be charged based on the actual costs of treatment required for the particular sewage or industrial waste.

10. Water Meters

Water meters are owned by the Municipality but are the responsibility of the utility customer to maintain. If the water meter is broken, frozen, etc., the utility customer will be billed for a new meter at the current cost of replacement.

11. Service To Customers Outside Utility's Limits

The Council of Municipality of Hamiota may sign Agreements with customers for the provision of water and sewer services to properties located outside the boundaries Hamiota. Such Agreements shall provide for payment of the appropriate rates set out in this 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 Hamiota boundaries. In addition, all costs of

connecting to the Utility's mains, and installing and maintaining service connections, will be paid by the customer.

12. 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 \$100. 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 and the customer's account will be adjusted for the preceding four (4) months. 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.

13. 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.

14. Conditions of Disrepair

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

15. Authorization For Officer To Enter Upon Premises

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