

Order No. 65/19

**RIVERDALE MUNICIPALITY
RURAL WATER LINE UTILITY
WATER RATES
EFFECTIVE JULY 1, 2019, 2020, and 2021**

May 17, 2019

BEFORE: Carol Hainsworth, C.B.A., Panel Chair
Mike Watson, Panel Member

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1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) grants approval for revised water rates for Riverdale Municipality (Municipality), Rural Water Line Utility (Utility). The existing and approved rates are below:

	Current	July 1, 2019	July 1, 2020	July 1, 2021
Water \$/1,000 gallons - first 50,000 gallons	\$8.15	\$17.75	\$17.88	\$18.00
Water \$/1,000 gallons - over 50,000 gallons	\$6.35	\$11.76	\$11.86	\$11.96
Quarterly Service Charge	\$125.00	\$141.44	\$142.88	\$144.33
Minimum Quarterly Charge*	\$149.45	\$194.69	\$196.52	\$198.33
Rate Rider \$/1,000 gallons**	\$6.51	\$6.51	\$6.51	\$0.00

*Based on 3,000 gallons

**Approved in Board Order Nos. 33/18 (2015 deficit) and 84/18 (2016 deficit)

The Board grants approval to the Utility's Cost Allocation Methodology.

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

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

2.0 Background

The Rural Water Line Utility, formerly known as the Daly Rural Water Line Utility, is located in the Riverdale Municipality. In 2015, the Town of Rivers amalgamated with the Rural Municipality of Daly to become the Riverdale Municipality. The Utility purchases its water from the Rural Municipality of Wallace-Woodworth. The Utility serves 12 customers.

The Board last granted approval for Utility rates when initial rates were set in 2004 in Board Order No. 3/04. In the intervening years, the former RM of Daly used the former RM of Woodworth's Utility Rate By-law to set its own rates. In Board Order Nos. 33/18 and 84/18 the Board granted approval for the recovery of the 2015 and 2016 deficits through rate riders. The rate riders are \$5.24 per 1,000 gallons and \$1.27 per 1,000 gallons respectively, for a period of three years or until recovered in full, whichever comes first. The rate riders came into effect July 1, 2018.

Water Supply/Distribution

The Utility purchases treated water from the Rural Municipality of Wallace-Woodworth.

Unaccounted for Water

As per the Board's Guidelines, the acceptable percentage of unaccounted for water is 10%. The Utility's 2017 unaccounted for water was 4.59% of the water purchased.

3.0 Application

On June 29, 2018, the Board received an application from the Municipality for revised rates for the Rural Water Line Utility. The application was accompanied by a rate study completed by the Municipality and By-law 2018-08 read for the first time on June 19, 2018.

The Municipality states the revised rates are required to eliminate the annual operating deficit. Current rates do not reflect repairs and maintenance or administrative costs.

The Board issued a Public Notice of Application on November 9, 2018 affording customers the opportunity to comment to both the Board and the Municipality with respect to the proposed rate increases. The Board did not receive any response to the Notice.

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.

The Municipality has not identified any capital projects for the Rural Water Line Utility in its five (5) year capital plan.

The rates were calculated using revenue projections and inflation of 1%.

	2019	2020	2021
Administration	6,939	6,908	6,977
Billing and collection	50	51	51
Less: penalties	- 100	- 100	- 100
Net revenue requirement - general	6,889	6,859	6,928
<i>Production</i>			
Water purchases	18,000	18,180	18,362
Contingency	1,800	1,818	1,836
<i>Distribution</i>			
Transmission and distribution	5,000	5,050	5,101
Amortization expense	7,185	7,185	7,185
Contingency	500	505	510
Reserves	1,000	1,000	1,000
Net revenue requirement - water	33,485	33,738	33,994

Contingency Allowance and Utility Reserves

The Board's Water and Wastewater Rate Application Guidelines recommend an annual contingency allowance equal to 10% of the variable operating costs. The Municipality has included this in the requested rates.

Working Capital Surplus

Board Order No. 93/09 established utilities should maintain a minimum working capital surplus, in an amount equal to 20% of annual expenses. The working capital surplus is 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:

	2017
Accumulated Fund Surplus/Deficit	\$ 196,088
Deduct tangible capital assets	\$ 237,820
Add long term debt	\$ -
Add utility reserves	\$ 15,702
Equals Working Capital Surplus/Deficit	\$ (26,030)
Operating costs	\$ 24,326
20% of operating costs (target)	\$ 4,865

Operating Deficits

By law, Manitoba utilities are not allowed to incur deficits. In the event 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.

On March 2, 2018 the Board issued Board Order No. 33/18 granting approval for the 2015 operating deficit. The Board approved recovery of \$31,454 over a three year period, by rate rider of \$5.24 per 1,000 gallons beginning July 1, 2018.

On July 3, 2018 the Board issued Board Order No. 84/18 granting approval for the 2016 operating deficit. The Board approved recovery of \$7,646 over a three year period, by rate rider of \$1.27 per 1,000 gallons beginning July 1, 2018.

Cost Allocation Methodology

The Board requires all municipal governments to review the costs shared between 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 (CAM). This allocation must be submitted to the Board for approval and cannot be changed without approval having been granted from the Board. The Board's requirements regarding cost allocation methodologies can be found in Board Order No. 93/09.

The Municipality submitted the following proposed Cost Allocation Methodology:

- 3% of CAO salary
- 6% of the Utility Clerk's salary
- 4% of the Utility Operator's salary
- Postage and office supplies spent on the Water Utility is charged directly to the Utility

4.0 Board Findings

The Board has reviewed the application and revenue projections presented by the Municipality and finds the projections to be reasonable. The Board also grants approval for the revised Cost Allocation Methodology as applied.

The Board is generally in favour of eliminating declining block rates to encourage conservation. In the case of the Rural Water Line Utility, the Municipality has applied to continue with a two-step rate, and has stated no consideration was given to changing to a single-step rate. The Board would recommend the Municipality consider the viability of changing to a single-step rate, and include its findings in the next rate study.

The Board encourages the Municipality to apply for a "pass through" rate revision in the event of a rate increase from the RM of Wallace-Woodworth. This process is

straightforward and dealt with in an expedited manner. This would allow the Utility to react quickly to an increase in the cost of purchasing water.

The Board reminds the Municipality regular reviews are important for a financially sound utility and encourages the Municipality 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 Municipality 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 Municipality 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 Riverdale Municipality – Rural Water Line Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule “A” to this Order, effective July 1, 2019, 2020, 2021.
2. The Cost Allocation Methodology for shared services as submitted by the Riverdale Municipality – Rural Water Line Utility BE AND IS HEREBY APPROVED.
3. The Riverdale Municipality 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.
4. The Riverdale Municipality 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 Riverdale Municipality review the Rural Water Line 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

"Jennifer Dubois, CPA, CMA"
Assistant Associate Secretary

Certified a true copy of Order No. 65/19
issued by The Public Utilities Board



Assistant Associate Secretary

**SCHEDULE "A"
RIVERDALE MUNICIPALITY
WATER RATES
BY-LAW NO. 2018-08**

SCHEDULE OF QUARTERLY RATES:

1. Commodity rates (per 1,000 gallons)

Effective July 1:

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Domestic Water rate/1,000 gal (first 50,000 gallons)	\$17.75	\$17.88	\$18.00
Intermediate Water rate/1,000 gal(>first 50,000 gallons)	\$11.76	11.86	\$11.96

2. Minimum Quarterly Rates:

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

Effective July 1:

- (a) Water Customers

	Meter Size (Inches)	Group Capacity Ratio	Minimum Quarterly Consumption	Service Charge	Water	Minimum Quarterly Charges
Year 1	5/8	1	3,000	\$141.44	\$53.25	\$194.69
Year 2	5/8	1	3,000	\$142.88	\$53.64	\$196.52
Year 3	5/8	1	3,000	\$144.33	\$54.00	\$198.33

3. 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.

4. Disconnection

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 municipal office.

5. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$50.00 have been paid.

6. New line hookup

Subject to the approval of the R.M. of Wallace-Woodworth, together with their associated hookup costs, the fee for basic hookup charged by Riverdale Municipality will be \$11,000.00. Any extra charges related to boring the water line from the property line to the residence is to be charged in addition to the basic hookup fee.

7. Outstanding Bills

Pursuant to Section 252(2) of *The Municipal Act*, the amount of all outstanding charges for water service 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.

8. Water Allowance Due to Line Freezing

Where, at the request of the Council, a customer is allowed to run water 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 billings for the last two quarters for the same customer, or the same premises if the occupant has changed.