

**Order No. 72/19**

**RURAL MUNICIPALITY OF MORRIS  
WATER AND WASTEWATER UTILITY**

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**May 29, 2019**

**BEFORE: Shawn M<sup>c</sup>Cutcheon, Panel Chair  
Marilyn Kapitany, B.Sc. (Hon), M. Sc., Panel Member**

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## 1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) denies revised water and wastewater rates for the Rural Municipality of Morris Utility (Utility).

The Board is terminating the deficit rate rider approved in Board Order 157/11 effective July 1, 2019.

Details of rates are in the attached Schedule “A”.

The reasons for the Board’s decisions are under “Board Findings”.

## 2.0 Background

Prior to 2012, the Rural Municipality of Morris (RM) owned and operated four water and wastewater utilities with 981 connections. These utilities were Lowe Farm, Sperling, Rosenort and the Rural Water Line. In Board Order No. 157/11, the Board ordered the RM make application to amalgamate the three utilities identified as the “Urban Utilities”, namely Lowe Farm, Sperling and Rosenort (Urban). The Board made this decision because the RM used a single rate for all three utilities and advised the Board it had already amalgamated operations of the three Urban utilities.

In December 2014, the RM applied to the Board to amalgamate all four utilities. The RM advised the creation of a single utility was preferable, reasoning some Rural Water Line utility customers were connecting to Urban wastewater services. The RM indicated it would continue to charge two water rates, Urban and Rural, and allocate the costs associated with serving the Urban centres to those customers.

During the Public Hearing for the application to amalgamate, the RM spoke about the goal of acting regionally and working towards greater economic progress for the RM as a whole, rather than individual communities. The submission of two rate applications supported by two separate rate studies and the segregation of the financial operations does not align with the Board’s understanding of the RM’s strategy in having a single utility.

There are many utilities in Manitoba with different customer classes charged different rates. The calculation of differing rates involves the separation of those expenses specific to the differing classes, but those utilities are required to submit a single rate study with the rate differentiations contained in their application. The RM does not meet this standard with the submission of two rate studies for a single utility.

The Board approved the amalgamation of the four utilities into a single utility known as the Rural Municipality of Morris Utility in Board Order No. 140/15, effective January 1, 2016.

The 2014 application did not request revision to the existing rates approved in Board Order No. 157/11. Board Order 157/11 also approved a rate rider approved to “remain in effect until the working capital deficiency has been addressed”.

### **3.0 Application**

On February 27, 2018, the Board received two applications for revised rates from the RM. The applications were accompanied by two rate studies, labelled “Urban Customers Water and Sewer Rate Study” and “Rural Customers Water Rate Study” completed by the RM’s consultant. The RM also submitted By-law No. 1732/2018 having been read for the first time on February 14, 2018.

The two rate studies completely divided information for the Utility into Urban and Rural, including all financial information, working capital calculations, reasons for the rate increases, and capital plans. In Board Order 140/15 the Board stated, “It is important that the RM continue to track revenues and expenses of rural and urban customers so as to be able to support separate rates for those two classes of customers when applying for increased utility rates.” The RM has provided this statement as the reason it prepared two rate studies for its Utility.

The January 1, 2016 amalgamation approved in Board Order No. 140/15 has resulted in the operations of the four utilities presented in the audited financial statements as a single Schedule of Utility Operations (Schedule 9). The difference between the two Schedules of

Utility Rate Requirements (“Schedule D” in the rate studies) presented by the RM and the audited financial statements is unexplained. The calculation of requested rates needs to be transparent and should always begin with audited financial information. It is not the Board’s role to manually add the RM’s schedules to compare to Schedule 9 of the audited financial statements, the comparison of the audit and submission must be provided by the applicant.

The Board has reviewed the RM’s submissions for consistency with the 2016 audited financial statements, both expenses and the calculation of the working capital, and is unable to reconcile the submission to the audited financial statements. This is further complicated by the fact the RM has not provided any information explaining how the allocation between Urban and Rural was determined.

The rate studies give differing reasons for the rate increases, with the Rural rates needing to be increased due to a “2017 budgeted deficit”, a decrease in transfer from property taxes and forecasted increases in water purchase costs. The Urban rate study states an increase is “primarily required for a proposed annual transfer to Utility Reserve and to provide contingency funding”. A utility cannot experience a deficit specific to a customer class. This further indicates the RM is operating two separate utilities.

The Schedules of Utility Rate Requirements indicate 2016 financial results are a deficit of \$36,806 (\$27,181 surplus in Urban less a \$63,987 deficit in Rural), but the 2017 audited financial statements show a surplus of \$365,281 for 2016, and another surplus of \$299,988 for 2017. No reconciliation or explanation was provided to the Board.

### **Working Capital Surplus/Deficit**

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, less any capital-related items, plus Utility reserves.

As per the 2017 audited financial statements, the Utility's working capital deficit at December 31, 2017 and 2016 was:

	2017	2016
Accumulated Fund Surplus/Deficit	\$4,568,931.00	\$4,268,943.00
Deduct tangible capital assets	\$5,500,132.00	\$5,144,682.00
Add long term debt	\$ 706,573.00	\$ 802,741.00
Add utility reserves	\$ 45,528.00	\$ 44,681.00
<b>Equals Working Capital Deficit/Surplus</b>	<b>\$ (179,100.00)</b>	<b>\$ (28,317.00)</b>
Utility operating costs	\$1,155,591.00	\$1,081,495.00
<b>20% of utility operating costs (target)</b>	<b>\$ 231,118.20</b>	<b>\$ 216,299.00</b>

The rate studies provided two separate working capital calculations. These calculations for 2016 (the most recent audit available when the rate study was prepared) were as follows (column marked Combined added by the Board for comparison):

	Rural	Urban	Combined
	2016	2016	2016
Accumulated Fund Surplus/Deficit	\$3,393,846.00	\$ 551,784.00	\$3,945,630.00
Deduct tangible capital assets	\$3,184,785.00	\$1,570,935.00	\$4,755,720.00
Add long term debt	\$ 305,790.00	\$ 496,952.00	\$ 802,742.00
Add utility reserves	\$ 36,714.00	\$ 7,350.00	\$ 44,064.00
<b>Equals Working Capital Deficit/Surplus</b>	<b>\$ 551,565.00</b>	<b>\$ (514,849.00)</b>	<b>\$ 36,716.00</b>
<b>20% of utility operating costs (target)</b>	<b>\$ 144,029.00</b>	<b>\$ 92,593.00</b>	<b>\$ 236,622.00</b>

The RM's submissions to the Board did not include a reconciliation or explanation for the discrepancy noted above.

## 4.0 Board Findings

The Board finds the RM is operating two utilities. Legally, the RM has one utility; however, the application and rate studies reflect the operation of two utilities. The RM's application has failed to meet the standard of a single utility with multiple rates.

The Board has identified two options to move forward; the RM can continue as the existing single Utility or apply to the Board to divide the Utility into two separate Utilities, Urban and Rural.

The Board directs the RM either creates two Utilities, Urban and Rural, or submits a single application, with financial information consolidated. If the RM chooses to create two utilities and files a request with the required Council resolution, the Board will accept the two existing rate studies and work with the RM to identify the information required to process them on an expedited basis. The Rural customers receiving wastewater services would be customers of both Utilities, and subject to Urban wastewater rates.

Should the RM choose to continue as the existing Utility, consideration would be given to an application with two rates, if calculated using a supported methodology. The Board encourages applicants to confer with Board staff where there is uncertainty about Board recommended methodology and, where variation proposed, the variation must be clearly substantiated in the application.

The Board will direct the RM and Utility to cease the collection of the rate riders approved in Board Order No. 157/11 effective no later than July 1, 2019. The Order gave authority for the rate riders to be collected until the working capital was no longer deficient, however page eight states, "...will therefore accept the proposal made in the rate study to recover the deficit over a five year period." This suggests the Board did not intend for the rate riders to carry on beyond a period of five years, though not explicitly ordered.

The Board notes By-law No. 1732/2018 includes a drought clause which would allow Council to increase water rates in excess of the minimum quarterly consumption amounts, up to double the current approved rates, in the event of a severe drought.

The Board is unable to find justification or support for this clause in the rate applications and recommends the RM submit more information about the methodology and calculation of this clause. The Board is supportive of programs encouraging conservation and recognizes the risks of drought; however, the Board does not have adequate information to approve this clause at this time and has removed it from Schedule "A".

The Board is a proponent of the user pay principle and believes that users should bear their appropriate share of expenditures. The Board therefore directs the RM review its current approach regarding lagoon tipping fees and submit a proposal for the Board's approval.

Please note that all items found under the heading, "IT IS THEREFORE ORDERED THAT:" are directives, not recommendations, and must be complied with or appealed as outlined below Pursuant to the *Public Utilities Board Act*, the Board has available enforcement methods and can apply penalties for non-compliance.

## **5.0 IT IS THEREFORE ORDERED THAT:**

1. The revised water and wastewater rates for the Rural Municipality of Morris, Morris Urban Water and Wastewater Utility, BE AND ARE HEREBY DENIED.
2. The Rural Municipality of Morris cease collection of the rate riders approved in Board Order No. 157/11, on or before July 1, 2019.
3. The proposed drought clause in the Utility By-law for the Rural Municipality of Morris, Morris Urban Water and Wastewater Utility, BE AND IS HEREBY DENIED.
4. The Rural Municipality of Morris submit its proposal regarding lagoon tipping fees on or before July 1, 2019.



5. The Rural Municipality of Morris amend its Utility By-law to reflect the decisions in this Order and file a copy with the Public Utilities Board once it has received third and final reading.

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](http://www.pubmanitoba.ca).

THE PUBLIC UTILITIES BOARD

"Shawn McCutcheon"

Panel Chair

"Jennifer Dubois, CPA, CMA"

Assistant Associate Secretary

Certified a true copy of Order No. 72/19  
issued by The Public Utilities Board



Assistant Associate Secretary

**RURAL MUNICIPALITY OF MORRIS  
URBAN CUSTOMERS  
WATER & SEWER UTILITY RATES BY-LAW  
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
\$17.96	\$1.75	\$19.71

Quarterly Service Charge \$20.00

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**

<u>Meter Size</u>	<u>Water Included Gallons</u>	<u>Customer Service Charge</u>	<u>Water Commodity Charge</u>	<u>Sewer Commodity Charge</u>	<u>Water &amp; Sewer Total Quarterly Minimum</u>
5/8 inch	3,000	\$20.00	\$53.88	\$5.25	\$79.13
3/4 inch	6,000	\$20.00	\$107.76	\$10.50	\$138.26
1 inch	12,000	\$20.00	\$215.52	\$21.00	\$256.52
1 ½ inch	30,000	\$20.00	\$538.80	\$52.50	\$611.30
2 inch	75,000	\$20.00	\$1,347.00	\$131.25	\$1,498.25

**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.

**c) Sewer Only for Residential Customers Who are Not Rural Utility Customers**

The sewer only charge is based on Urban Utility average quarterly consumption of 9,000 gallons plus the quarterly customer service charge.

The quarterly charge for sewer only customers who are not an RM of Morris Rural Utility customer is  $(9 * \$1.75) + \$20.00 = \$35.75$

**d) Sewer Only for Residential Customers Who are Rural Utility Customers**

The minimum Sewer Commodity Charge will apply and Sewer Commodity Charges will be based on water meter readings. The Urban Utility Water Commodity and Customer Service charges will be excluded.

**e) Bulk Water Sales**

All water sold in bulk by the Urban Utility will be charged at the rate of \$19.40 per 1,000 gallons.

**The following clauses take effect July 1, 2019:**

3. Definitions

The following definitions apply to this Schedule:

**Account Holder/Customer** – shall refer to the person or persons who have applied for water and/or sewer services at a particular residence, whether it be the property owner or renter.

**Property Owner** – shall refer to the person or persons who are listed on the title of a specific property.

**Renter** – is not the property owner of a subject property and shall refer to the utility account holder/customer of the subject property.

4. Service To Customers Outside Utility's Limits

The Council of Rural Municipality of Morris may sign Agreements with customers for the provision of water and sewer services to properties located outside the boundaries of the Rural Municipality of Morris. Such Agreements shall provide for payment of the appropriate rates set out in the Schedule, as well as a 25% 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 Rural Municipality of Morris boundaries. In addition, all costs of connecting to the Utility's mains, and installing and maintaining service connections, will be paid by the customer.

5. Disconnection and Reconnection

The Municipality shall charge a fee as shown below for a re-connection or a disconnection of a service, if requested by a customer.

Service may be interrupted or disconnected as follows:

Curb Stop Turn-on                      \$50.00 for the first ½ hour, thereafter as per Fees  
& Charges By-law

Curb Stop Turn-off                      \$50.00 for the first ½ hour, thereafter as per Fees  
& Charges By-law

Customers will continue to receive their quarterly invoices, even if the curb stop has been turned off

Meter Removal                      \$300.00 for the first ½ hour, thereafter as per  
Fees & Charges By-law

Re-installation of Meter              \$150.00 for the first ½ hour, thereafter as per  
Fees & Charges By-law

Customers will not receive quarterly invoices until the meter has been re-installed and the curb stop has been turned on

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.

6. Billings, Penalties and Outstanding Bills

Accounts shall be billed quarterly, and will be due and payable not less than twenty-one (21) days after the date of billing. A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date.

In the event that an Account remains outstanding the Account may be transferred to the realty tax account of the property in respect of which the water account is

unpaid, to be collected as ordinary realty taxes. The following processes will be taken:

**Accounts where the Customer is the Owner of the Property:**

For those Accounts where the Customer is the Owner of the property, the amount owing after the due date shall automatically be transferred to the corresponding tax roll account within two business days after the due date and said outstanding amount will be collected in the same manner as ordinary realty taxes.

**Accounts where the Customer is not the Owner of the Property:**

For those Accounts where the Customer is not the Owner of the property the following actions will be taken:

1. A reminder bill and letter to be sent to the Renter as well as the Owner of the property, giving them a revised due date by which to pay the outstanding balance; and
2. If the outstanding balance has not been paid after the revised due date, then within two business days after the revised due date any outstanding balance shall automatically be transferred to the corresponding tax roll account and said outstanding amount will be collected in the same manner as ordinary realty taxes.

7. Hydrant Charges

The Rural Municipality of Morris, or any other hydrant owner, will pay to the Utility an annual fee of \$150.00 for each hydrant 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 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.

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. 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.

11. 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.

12. 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.

13. 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.



**RURAL MUNICIPALITY OF MORRIS  
RURAL CUSTOMERS  
WATER & SEWER UTILITY RATES BY-LAW  
SCHEDULE "B"  
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

\$10.78

Quarterly Service Charge

\$27.30

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>Water Included Gallons</u>	<u>Customer Service Charge</u>	<u>Water Commodity Charge</u>	<u>Water Total Quarterly Minimum</u>
5/8 inch	3,000	\$27.30	\$32.34	\$59.64
3/4 inch	6,000	\$27.30	\$64.68	\$91.98
1 inch	12,000	\$27.30	\$129.36	\$156.66
1 ½ inch	30,000	\$27.30	\$323.40	\$350.70
2 inch	75,000	\$27.30	\$808.50	\$835.80

**The following clauses take effect July 1, 2019:**

3. Definitions

The following definitions apply to this Schedule:

**Account Holder/Customer** – shall refer to the person or persons who have applied for water and/or sewer services at a particular residence, whether it be the property owner or renter.

**Property Owner** – shall refer to the person or persons who are listed on the title of a specific property.

**Renter** – is not the property owner of a subject property and shall refer to the utility account holder/customer of the subject property.

4. Service To Customers Outside Utility's Limits

The Council of Rural Municipality of Morris may sign Agreements with customers for the provision of water and sewer services to properties located outside the boundaries of the Rural Municipality of Morris. Such Agreements shall provide for payment of the appropriate rates set out in the Schedule, as well as a 25% 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 Rural Municipality of Morris boundaries. In addition, all costs of connecting to the Utility's mains, and installing and maintaining service connections, will be paid by the customer.

5. Disconnection and Reconnection

The Municipality shall charge a fee as shown below for a re-connection or a disconnection of a service, if requested by a customer.

Service may be interrupted or disconnected as follows:

Curb Stop Turn-on	\$50.00 for the first ½ hour, thereafter as per Fees & Charges By-law
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Customers will continue to receive their quarterly invoices, even if the curb stop has been turned off

Meter Removal	\$300.00 for the first ½ hour, thereafter as per Fees & Charges By-law
Re-installation of Meter	\$150.00 for the first ½ hour, thereafter as per Fees & Charges By-law

Customers will not receive quarterly invoices until the meter has been re-installed and the curb stop has been turned on

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.

6. Billings, Penalties and Outstanding Bills

Accounts shall be billed quarterly, and will be due and payable not less than twenty-one (21) days after the date of billing. A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date.

In the event that an Account remains outstanding the Account may be transferred to the realty tax account of the property in respect of which the water account is unpaid, to be collected as ordinary realty taxes. The following processes will be taken:

**Accounts where the Customer is the Owner of the Property:**

For those Accounts where the Customer is the Owner of the property, the amount owing after the due date shall automatically be transferred to the corresponding tax roll account within two business days after the due date and said outstanding amount will be collected in the same manner as ordinary realty taxes.

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For those Accounts where the Customer is not the Owner of the property the following actions will be taken:

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2. If the outstanding balance has not been paid after the revised due date, then within two business days after the revised due date any outstanding balance shall automatically be transferred to the corresponding tax roll account and said outstanding amount will be collected in the same manner as ordinary realty taxes.

7. 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.

#### 8. 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.

#### 9. 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.

#### 10. 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.

11. 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.