

Order No. 143/20

**RURAL MUNICIPALITY OF DAUPHIN
DAUPHIN WATER UTILITY
WATER RATES EFFECTIVE JANUARY 1, 2021**

December 8, 2020

Revised December 14, 2020

**BEFORE: Carol Hainsworth, C.B.A., Panel Chair
Marilyn Kapitany, B.Sc. (Hon), M. Sc., Panel Member**

Table of Contents

1.0	Executive Summary	3
2.0	Background	4
	Water Supply/Distribution	4
3.0	Board Methodology.....	4
	Review Process	4
	Interim <i>ex parte</i> Approval.....	4
	Contingency Allowance and Utility Reserves.....	5
	Working Capital	5
	Operating Deficits	5
	Cost Allocation Methodology	5
	Unaccounted for Water.....	6
4.0	Application.....	6
	Contingency Allowance and Utility Reserves.....	7
	Working Capital	8
	Operating Deficits	8
	Cost Allocation Methodology	8
	Unaccounted for Water.....	9
5.0	Board Findings	9
6.0	IT IS THEREFORE ORDERED THAT:	11

1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) grants approval of the Rural Municipality of Dauphin (RM), Dauphin Water Utility's (Utility) application for revised water rates.

The Board confirms as final the interim water rates previously established on an interim basis by Board Order Nos. 91/16 and 133/18.

The Board approves the revised operating deficits for 2017 and 2018.

The Board approves the RM's revised Cost Allocation Methodology.

The revised rates are below:

Quarterly Service Charge	\$ 21.65
Water (per cubic meter)	\$ 7.03
Minimum Quarterly Charge*	\$ 120.07
Curb Stop Turn Off/On	\$ 75.00
Disconnection Fee	\$ 75.00
Reconnection Fee	\$ 75.00
Meter Removal	\$ 300.00
Re-Installation of Meter	\$ 150.00
Meter Testing	\$ 100.00

*based on 14m³

Details of other rates are in Schedule A.

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

2.0 Background

This is a new water only utility system with 199 customers divided equally into two phases. Phase 1 customers were connected in 2017 and Phase 2 customers were connected toward the end of 2018. Initial interim rates were set in Board Order No. 91/16, and subsequently varied in Board Order No. 133/18, with current rates coming into effect January 1, 2019.

Water Supply/Distribution

Water is supplied from the G3 water coop, which is operated by the Manitoba Water Services Board (MWSB).

3.0 Board Methodology

Review Process

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.

Where there is an urgent need for initial or revised rates and the Board determines it to be in the best interest of all parties, the Board may establish interim *ex parte* rates.

Interim *ex parte* Approval

Interim *ex parte* rates are typically approved as applied for and are then subject to a standard Board review process, including a Public Notice of Application, before being confirmed as final by Board Order.

Since this process allows a municipality to charge ratepayers revised rates in advance of the Board's comprehensive review, it is reserved for instances where a municipality can show a compelling argument to allow it.

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.

Working Capital

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.

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.

Cost Allocation Methodology

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

Unaccounted for Water

Water losses may be caused by such events as distribution line losses, service leaks, water used for fire fighting or line flushing, and under-registration of water meters. The Board Guidelines require utilities to compare the volume of water produced or purchased against the volume of water sold, to determine the percentage of unaccounted for water. Unaccounted for water volumes of approximately 10% are considered industry standard.

The Board expects any utility experiencing a greater volume of unaccounted for water to provide an explanation and plan to address the water losses.

4.0 Application

On September 16, 2019 the Board received the RM's application to revise the quarterly service charge, the water rate and the Cost Allocation Methodology.

The application submitted by the RM also requested the Board grant authorization to pass through any increases in the wholesale water rate that the MWSB charges to the customers of the G3 Water Coop, without applying for further approval from the Board, known as "pass through" rate increases.

The Board issued a Public Notice of Application on October 8, 2019 affording customers the opportunity to comment to both the Board and the RM with respect to the proposed rate changes. The Board did not receive any responses to the Notice.

The rates were calculated using the following revenue requirement projections:

	2023
Administration	\$ 13,537
Training costs	\$ 4,059
Total expenses general	\$ 17,596
Penalties	\$ 65
Investment income	\$ 300
Total revenue general	\$ 365
Net revenue requirement - general	\$ 17,231
Transmission and distribution	\$ 73,353
Water Purchases	\$ 38,746
Service of Supply	\$ 9,256
Other Water Supply Costs	\$ 1,624
Contingency	\$ 12,298
Reserves	\$ 10,000
Amortization	\$ 163,101
Interest on Long Term Debt	\$ 37,198
Total expenses water	\$ 345,575
Amortization of capital grants	\$ 85,844
Property tax revenue	\$ 107,569
Total revenue water	\$ 193,413
Net revenue requirement - water	\$ 152,162

The RM's consultant calculated the revenue requirements for 2020 through to 2023, and the rate study proposed the 2023 indicated rates be implemented immediately.

Contingency Allowance and Utility Reserves

The RM has included in its projections a contingency allowance of 10% of net rate requirements, less amortization expenses. This equates to \$12,298 per year. The projections also include an annual \$10,000 transfer to Utility Reserve.

Working Capital

As per the 2019 audited financial statements, the working capital surplus at December 31, 2019 was:

	2019
Accumulated Fund Surplus/Deficit	\$9,472,365
Deduct tangible capital assets	\$10,661,361
Add long term debt	\$1,086,785
Add utility reserves	\$0
Equals Working Capital Surplus/Deficit	(\$102,211)
Operating costs	\$337,343
20% of operating costs (target)	\$67,469

Operating Deficits

The RM had previously advised the Board of operating deficits for 2016, 2017 and 2018. The deficits were reportedly \$1,602 (2016), \$147,455 (2017 unaudited) and 2018 was an anticipated deficit with no value given.

Board Order No. 133/18 granted approval for these deficits, with recovery through future surplus, and directed the RM to file applications once the final, audited deficits for 2017 and 2018 were final.

In September 2019, the RM submitted the deficit applications, indicating an operating deficit of \$46,974 for 2017 and \$66,436 for 2018, when calculated for regulatory purposes. The RM advised the change in the 2017 deficit was a result of items expensed in 2017 being reclassified as capital.

Cost Allocation Methodology

The Board approved the Utility's current Cost Allocation Methodology (CAM) in Board Order No. 91/16. The RM proposed to revise the CAM to 2% of the Financial Plan General "At Large" Government Services less Assessment and Grants expenses.

Unaccounted for Water

The Utility indicated the 2018 unaccounted for water was 0% of water purchased, and the first half of 2019 was 7%, which falls below the acceptable limit of 10%.

5.0 Board Findings

The Board has chosen to review the RM's applications through a paper review process.

The Board has reviewed the application and revenue projections presented by the RM and finds the projections to be reasonable. The changes to the rates are justifiable, and the water commodity rate is decreasing.

The Board grants approval of the revised Cost Allocation Methodology and the revised deficits for 2017 and 2018, with recovery through the accumulated surplus.

The Board will require the RM to review the financial position of the Utility no later than June 30, 2023 and apply to the Board for revised rates, if necessary.

Pass through rate approval request

The Board grants approval of the RM's request to allow for pass through rate increases resulting from any increases in the wholesale rate set by the MWSB for customers of the G3 Water Coop. Pass through rate increases are typically used when a PUB regulated utility purchases water from another PUB regulated utility. The Board typically does not allow for pass through rate increases from unregulated utilities because it would not provide ratepayers with the protections afforded by Board oversight and notice requirements. In the case of MWSB wholesale rates, under section 8(2) of The Manitoba Water Services Board Act, the purchasing utility (in this case, Dauphin), has the opportunity to appeal to the Board any rate it believes to be excessive and MWSB uses methodology that aligns with that of the Board. In addition, the Board will require the Utility to follow the requirements for pass through rate increases as established in section 3.10

of Board Order No. 124/09, with the addition of a 90 day notice period for ratepayers. The process to be followed is as follows:

Step 1. The RM of Dauphin shall consider the implication of any increase in wholesale water rates approved by the MWSB for customers of the G3 Water Coop, and determine whether or not the increase needs to be passed on to its ratepayers to maintain the adequacy of rates.

Step 2. If the cost increase is to be reflected in the rates of the Dauphin Utility, and with the one exception that changes in the rate of water losses in the system may also be included, the RM need only inform its ratepayers/customers and the Board of the pass through rate change, with a minimum of 90 days notice. This Notice must include information for ratepayers on their ability to respond to the Board regarding the increase.

Step 3. If rates are to change for any other reason or in any amount other than the exact wholesale increase, the RM must make application to the Board, which may decide to proceed to hear the application by way of a paper-based process or by way of an oral public hearing.

Step 4. For such pass through rate changes, the RM shall file an amended rate By-law with Board, along with a copy of the Notice provided to ratepayers.

The Board reminds the RM 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.

6.0 IT IS THEREFORE ORDERED THAT:

1. The water rates for the Rural Municipality of Dauphin Water Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule A, effective January 1, 2021.
2. The water and wastewater rates for the Rural Municipality of Dauphin Water Utility, as approved on an interim basis in Board Order Nos. 91/19 and 133/18, BE AND ARE HEREBY APPROVED AS FINAL.
3. The request to pass through wholesale water price increases from the Manitoba Water Services Board, using the steps outlined in this Board Order, for the Dauphin Water and Wastewater Utility, BE AND IS HEREBY APPROVED.
4. The Cost Allocation Methodology for shared services as submitted by the Rural Municipality of Dauphin BE AND IS HEREBY APPROVED.
5. The operating deficits for 2017 and 2018 totalling \$113,410, when calculated for regulatory purposes, incurred in the Rural Municipality of Dauphin Water Utility, BE AND ARE HEREBY APPROVED recovered from the Accumulated Surplus.
6. The Rural Municipality of Dauphin provide a notice to its customers advising them of the decisions in this order and submit a copy to the Public Utilities Board.
7. The Rural Municipality of Dauphin amend its Utility rate By-law to reflect the decisions in this Order, and submit a copy to the Public Utilities Board once it has received third and final reading.
8. The Rural Municipality of Dauphin review the Dauphin 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 June 30, 2023.

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. 143/20
issued by The Public Utilities Board



Assistant Associate Secretary

**RURAL MUNICIPALITY OF DAUPHIN
RM OF DAUPHIN WATER UTILITY
WATER UTILITY RATES BY-LAW NO.
SCHEDULE "A" SCHEDULE OF QUARTERLY RATES**

1. Schedule of Commodity Rates January 1, 2021
Quarterly Service Charge \$21.65

Water consumption, per Cubic Meter \$7.03

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 C.M.	Customer Service Charge	Water Commodity Charge	Water Total Quarterly Minimum
5/8 inch	1	14	\$21.65	\$98.42	\$120.07
3/4 inch	2	28	\$21.65	\$196.84	\$218.49
1 inch	4	56	\$21.65	\$393.68	\$415.33
1 ½ inch	10	140	\$21.65	\$984.20	\$1,005.85

The following clauses take effect January 1, 2021:

1. Service To Customers Outside Utility's Limits

The Council of the Rural Municipality of Dauphin may sign Agreements with customers for the provision of water services to properties located outside the boundaries of RM of Dauphin Water Utility. 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 RM of Dauphin Water Utility 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 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.

3. Disconnection and Reconnection due to Non-payment of Account

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 disconnection fee of \$75.00 plus a reconnection fee of \$75.00 have been paid.

4. Disconnection and Reconnection at Request of Customer

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

Service may be interrupted or disconnected as follows:

Curb Stop Turn-off \$75.00

Curb Stop Turn-on \$75.00

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

Meter Removal \$300.00

Re-installation of Meter \$150.00

Customers will cease receiving quarterly utility billings when the water meter is removed and will not receive further quarterly utility bills until the meter has been re-installed and the curb stop has been turned on

5. Liability for Charges

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

6. 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.

7. 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.

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 \$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.

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 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.