

Order No. 153/18

**RURAL MUNICIPALITY OF ROCKWOOD
STONY MOUNTAIN WATER AND WASTEWATER UTILITY
APPROVAL OF REVISED RATES AS FINAL 2017, 2018 & 2019
VARYING BOARD ORDER NO. 99/17 DEFICIT RECOVERY FOR 2013, 2014 & 2015
ACTUAL OPERATING DEFICIT RECOVERY FOR 2012 & 2016**

November 9, 2018

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

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1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves as final the revised water and wastewater rates as applied for by the Rural Municipality of Rockwood (RM), for the Stony Mountain Water and Wastewater Utility (Utility), and as set on an interim basis in Board Order No. 99/17. The final rates are approved as follows:

| | Oct 2017 | Jan 2018 | Jan 2019 |
|---|-----------------|-----------------|-----------------|
| Quarterly service charge | \$ 15.95 | \$ 17.20 | \$ 18.40 |
| Water \$/cubic meter | \$ 2.05 | \$ 2.10 | \$ 2.15 |
| Wastewater \$/cubic meter | \$ 2.15 | \$ 2.25 | \$ 2.40 |
| Minimum quarterly* | \$ 78.95 | \$ 82.45 | \$ 86.65 |
| Flat rate water only customers (annual)** | \$ 430.00 | \$ 430.00 | \$ 430.00 |
| Bulk water rates*** | \$ 2.40 | \$ 2.45 | \$ 2.55 |
| Reconnection fee | \$ 75.00 | \$ 75.00 | \$ 75.00 |
| Hydrant rental | \$ 200.00 | \$ 200.00 | \$ 200.00 |

*Based on 15 cubic meters

**Flat rate charge for water only customers (unmetered water supply)

***Charged per cubic meter

The Board also approves the actual operating deficits for the years 2012 (\$61,213) and 2016 (\$227,168), and varies Board Order No. 99/17 deficit recovery methodology for deficits in the years 2013, 2014 and 2015. The Board approves the recovery for five years of deficits (2012-2016) totalling \$697,001 to be recovered by a rate rider of \$0.80 per cubic meter for seven years, effective January 1, 2019.

The rationale for the Board's decisions is found under "Board Findings".

2.0 Background

The RM owns and operates the Stony Mountain Water and Wastewater Utility serving 678 customers, including one trailer park with 26 trailers, one school, one hotel, 16 businesses and four industrial connections. At the time that this application was submitted to the Board, all but seven customers were metered.

The Utility provides service to eight customers beyond the RM's boundary. The RM advises no surcharge is collected as these customers paid for capital costs through an at-large charge.

The Stony Mountain Institution is connected to the distribution system, however, this is a back-up connection as the institution has its own water supply. The Institution does not pay charges as the back-up would only be used in emergency situations.

Water Supply/Distribution

The Utility obtains raw water from three production wells installed in 1990 that are located one kilometer west of the community. The water system consists of a Class I Water Treatment Facility and a Class II Water Distribution System. The distribution lines are made of PVC pipe and water is treated with chlorine before entering the distribution system. The Water Treatment Facility meets all Drinking Water Standards.

Wastewater Collection/Treatment

The wastewater system is a Class II Wastewater collection system and consists of a two cell lagoon and a gravity flow collection system. The collection system was installed with the water system in 1990, and is made of PVC materials. Discharges from the lagoon, completed after testing, are done twice a year or as needed, into the Municipal ditch emptying into the Grassmere Drain.

The Stony Mountain Institution in conjunction with the RM are entering into an agreement to construct and operate an addition to the existing lagoon. Once the lagoon expansion is complete, which is anticipated for the end of 2018, it will be amalgamated with the existing lagoon creating a larger lagoon with multiple cells including one aeration cell and a building.

The RM is in compliance with its Environmental License for the lagoon discharges.

Unaccounted for Water

As per the Board's Water and Wastewater Rate Application Guidelines and industry standard, the acceptable percentage of unaccounted for water is 10%. If the percentage is above this the applicant is to explain why and provide the plan to remedy the problem.

The RM's study estimated the unaccounted for water to be 17% of water produced, stating this is likely due to three waterline breaks in the last five years. Unaccounted for water often includes known uses of water such as line flushing and firefighting purposes. As the Utility's water loss was higher than the industry average of 10%, the RM undertook a replacement water metering project in 2017 and installed 545 new water meters to help mitigate this issue.

3.0 Application

On December 30, 2016, the Board received, an application for the approval of three actual utility operating deficits for the years 2013, 2014 and 2015 totalling \$408,620. At the same time, the RM requested interim *ex parte* rates due to these operating deficits, with rates to be based on the rate application that would be submitted.

On April 19, 2017, the RM submitted an application for revised water and wastewater rates accompanied by a rate study prepared by the RM and By-law No. 7/17 having received first reading on April 5, 2017. Rates were previously revised in 2014 and approved in Board Order No. 113/12.

On September 15, 2017, Board Order No. 99/17 was issued by the Board approving water and wastewater rates on an interim *ex parte* basis and for the recovery of deficits totalling \$408,620, to be recovered through a rate rider of \$0.99 per cubic meter collected over a three year period, based on water usage, effective October 1, 2017.

A Notice of Application was issued October 17, 2017 affording customers the opportunity to comment to both the RM and the Board with respect to the proposed increases

including deficit rate riders. The Board received 54 stakeholder responses and a petition with 46 signatures. After media coverage of the Utility's rate increases, 17 additional complaints were received by the Board in January 2018, totalling the stakeholder responses to 71.

Some of the common concerns that were voiced are summarised below:

- The proposed rate increase is too large;
- The rates are unaffordable for the public on a fixed income;
- Mismanagement of the Utility has lead to deficits;
- The Utility has incurred too many large deficits increasing the rates;
- New residents are being charged for deficits, incurred before they moved into the area; and
- The Board should consider a much smaller increase.

When reviewing an application, the Board has at its disposal two approaches, either a paper or a public hearing review. A public hearing allows the Utility the opportunity to present its application and allows stakeholders the opportunity to present their concerns to the Board in person.

Where it is deemed to be in the best interest of the Utility and its customers, the Board may review the application using a paper review process saving the costs of a public hearing.

In this case, the Board determined a public hearing process was appropriate, given the significant public response and the significance of the deficits. A Notice of Hearing was issued on May 28, 2018 and a public hearing was held on July 12, 2018 at the Stonewall Heritage Arts Centre in Stonewall.

The rate application was based on the following revenue projections, using a 1.6% rate of inflation for the calculations.

| Financial history and projections | | | | | | | |
|---|-----------------|----------------|----------------|-----------------------|----------------|----------------|--|
| Inflation rate | | | | | 1.6% | | |
| | Prior year - 1* | Prior year** | Current year | forecasts- Rate years | | | |
| | Actual | Actual | Projected | Rate year 1 | Rate year 2 | Rate year 3 | |
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | |
| <i>Administration</i> | | | | | | | |
| Administration (building, office, staff, etc.) | 38,296 | 42,109 | 25,350 | 35,270 | 38,585 | 41,730 | |
| Billing and collection | - | - | 3,825 | 5,000 | 5,000 | 5,000 | |
| Working capital surcharge (1% of yrly exp) | | | | 5,500 | 5,640 | 5,800 | |
| Total gen. exp./Admin revenue requirement | 38,296 | 42,109 | 29,175 | 45,770 | 49,225 | 52,530 | |
| <i>Revenue:</i> | | | | | | | |
| Service charges | 10,415 | 10,590 | 10,705 | | | | |
| Penalties | 2,258 | 2,372 | 2,600 | 2,600 | 2,600 | 2,600 | |
| Total general revenue | 12,673 | 12,962 | 13,305 | 2,600 | 2,600 | 2,600 | |
| Net rate revenue requirement general/Admin | | | | 43,170 | 46,625 | 49,930 | |
| <i>Water</i> | | | | | | | |
| <i>Expenses:</i> | | | | | | | |
| Staffing | | | - | | | | |
| Purification and treatment | 4,426 | 8,860 | 8,000 | 8,000 | 10,000 | 12,000 | |
| Service of Supply | 45,330 | 55,540 | 48,000 | 48,000 | 48,768 | 49,548 | |
| Transmission and Distribution | 107,019 | 123,355 | 111,930 | 114,115 | 116,345 | 118,615 | |
| Other Water Supply Costs | 90,052 | 86,087 | 11,375 | 11,375 | 11,375 | 11,375 | |
| Connections - Net Loss | 33,363 | 55,450 | 20,000 | 20,000 | 20,000 | 20,000 | |
| Amortization/ depreciation | 94,443 | 94,442 | 94,400 | 94,400 | 94,400 | 94,400 | |
| Interest on long term debt | 68 | 35 | | - | - | - | |
| Reserves | | | | 10,000 | 10,000 | 10,000 | |
| Minor capital upgrades | | | | | - | - | |
| Contingency | | | | 17,012 | 17,511 | 18,016 | |
| Sub-total- water expenses | 374,701 | 423,769 | 293,705 | 322,902 | 328,399 | 333,954 | |
| <i>Revenue:</i> | | | | | | | |
| Water rate charges | 140,080 | 139,858 | 135,000 | | | | |
| Connection Revenue | 250 | 450 | 200 | 200 | 200 | 200 | |
| Hydrant rentals | 12,000 | 12,000 | 12,000 | 18,200 | 18,200 | 18,200 | |
| Installation Services | 16,650 | 61,950 | 15,500 | 15,500 | 15,500 | 15,500 | |
| Other Income (Contract Services & Transfer from | 96,640 | 100,955 | 71,400 | 23,660 | 23,660 | 23,660 | |
| Investment Income-MWSB | | | - | - | - | - | |
| Taxation revenues-water debt | - | - | - | - | - | - | |
| Other revenue-bulk water fees | 487 | - | - | - | - | - | |
| Total revenue - water | 266,107 | 315,213 | 234,100 | 57,560 | 57,560 | 57,560 | |
| Net rate revenue requirement - water | | | | 265,342 | 270,839 | 276,394 | |

| | Prior year - 1* | Prior year** | Current year | forecasts- Rate years | | |
|---|-----------------|----------------|----------------|-----------------------|----------------|----------------|
| | Actual | Actual | Projected | Rate year 1 | Rate year 2 | Rate year 3 |
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Sewer | | | | | | |
| <i>Expenses:</i> | | | | | | |
| Staffing & Training | | | 47,970 | 48,905 | 49,860 | 50,835 |
| Sewage Collection System | 76,192 | 89,411 | 90,000 | 90,000 | 100,000 | 110,000 |
| Sewage Lift Station | 5,067 | 5,592 | 5,500 | 5,500 | 5,540 | 5,629 |
| Sewage Treatment and Disposal | - 1,100 | 14,754 | 2,500 | 2,500 | 2,540 | 2,581 |
| Other Sewage Collection & Disposal Costs | | | | 4,000 | 4,000 | 4,000 |
| Amortization/ depreciation | 57,682 | 57,790 | 58,000 | 58,000 | 58,000 | 58,000 |
| Reserves | | | | 5,000 | 5,000 | 5,000 |
| Contingency | | | | 19,200 | 21,208 | 23,221 |
| Total sewer expenses | 137,841 | 167,547 | 203,970 | 233,105 | 246,148 | 259,266 |
| <i>Revenue</i> | | | | | | |
| Sewer rate charge ⁽⁴⁾ | 55,845 | 55,013 | 55,000 | | | |
| Connection Revenue | | | | | | |
| Lagoon Tipping Fees | - | - | - | - | - | - |
| Transfer from other utilities | | | | | | |
| Investment Income | | | | | | |
| Amortization of capital grants | | | | | | |
| Taxation revenues | 621 | 621 | 621 | 621 | 621 | 621 |
| Other Revenue | | | 51,000 | 10,140 | 10,140 | 10,140 |
| Total revenue- sewer | 56,466 | 55,634 | 106,621 | 10,761 | 10,761 | 10,761 |
| Net rate revenue requirement - sewer | | | | 222,344 | 235,387 | 248,505 |
| Net results | 215,592 | 249,616 | 172,824 | | | |

On May 11, 2018 prior to the hearing, the Board sent information requests to the RM regarding clarification of the lagoon expansion, the agreement with Stony Mountain Institution and the financial statements and projections. The RM responded on May 22, 2018.

Working Capital Calculation

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.

The only year that the Utility met this target was 2012. The working capital surplus and operating surplus has been depleted due to these large deficits.

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Utility Accumulated Fund Surplus | \$2,768,219 | \$3,056,903 | \$3,274,369 | \$3,467,846 | \$2,783,281 |
| Deduct Tangible Capital Assets | -\$3,740,329 | -\$3,851,492 | -\$3,769,782 | -\$3,736,774 | -\$2,821,829 |
| Add Long Term Debt | \$0 | \$0 | \$586 | \$1,139 | \$17,824 |
| Add Utility Reserves | \$212,367 | \$245,345 | \$229,925 | \$216,757 | \$201,087 |
| Working Capital Deficit | -\$759,743 | -\$549,244 | -\$264,902 | -\$51,032 | \$180,363 |
| Operating Expense | \$598,799 | \$577,885 | \$505,508 | \$468,309 | \$433,761 |
| 20% of Operating Expense (Target) | \$119,760 | \$115,577 | \$101,102 | \$93,662 | \$86,752 |

The above-noted working capital calculation for the Utility is below the Board's recommended 20% target and insufficient to be applied to any of the deficits incurred by the Utility. As a result, there is no surplus available to offset any deficit amounts.

Cost Allocation Methodology

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

The RM shares costs between itself and three utilities. The RM has proposed the following new shared cost allocation:

- RM office expenditures 15% allotment to Utilities;
- RM office employee salaries allotment to Utilities:
 - Chief Administrative Officer (CAO) 5%;
 - Assistant CAO 5%;
 - Operations Assistant 30%;

- Administration Assistant 0%; and
- Office Clerk 10%.

These allotments are further split between the three Utilities with the following breakdown: 20% Balmoral; 15% Gunton; and 65% Stony Mountain. The customer service charge only includes administrative charges.

There are three full time operators shared between the three utilities. Operator wages, a dedicated utility vehicle and operator training costs are not included in the customer service charge. These services are split between the Utilities (20% Balmoral, 15% Gunton and 65% Stony Mountain) and are included in the water and wastewater rates split 50/50 between each.

Contingency Allowance and Utility Reserves

A maintenance contingency allowance is a provision within the rates to provide for unexpected repairs to the system. The amount of the contingency included in the rates is determined based on the operating expense.

The RM advises that the water and wastewater system are in good shape and have allowed for 1% of historical capital costs of the systems as a contingency provision.

Reserve funds typically pay for routine and planned capital expenses. An amount for reserves has not been included in this application. The RM notes that residual amortization expense of \$10,000 for water and \$5,000 for wastewater is being collected through the rates and contributed to reserves.

Deficits

The Board issued Order No. 151/08 on November 7, 2008 requiring all water and/or wastewater utilities to report an actual year-end deficit to the Board if the utility:

1. had not received prior approval for the deficit from the Board and such deficit either exceeds \$10,000 or represents 5% of the utility's operating budget; or
2. had received prior approval for the deficit from the Board and:
 - a. the actual deficit exceeds the previously approved amount by either \$10,000 or 5% of the utility's operating budget; or
 - b. the cause of the deficit differs from that upon which the approval was granted.

The Utility reported operating deficits for 2013, 2014 and 2015 that were approved by the Board in Board Order No. 99/17, to be recovered by a rate rider of \$0.99 per cubic meter over three years effective October 1, 2017.

During the Public Hearing on July 12, 2017, it was confirmed that there were two additional Utility operating deficits for 2012 and 2016 that required Board approval. On July 30, 2018 the RM submitted the Public Utilities Board (PUB) Schedule 9 form (for deficit reporting) with confirmation of deficit amounts in 2012 and 2016 as requested by the Board. The following is a break down of total utility operating deficits with adjustments.

| Deficit Year | Deficit Total | Grant Amortization Adjustment | Deficit Total After Adjustments |
|--------------|-------------------|-------------------------------|---------------------------------|
| 2012 | -\$61,213 | \$0 | -\$61,213 |
| 2013 | -\$143,825 | \$48,716 | -\$95,109 |
| 2014 | -\$193,477 | \$48,716 | -\$144,761 |
| 2015 | -\$217,466 | \$48,716 | -\$168,750 |
| 2016 | -\$275,884 | \$48,716 | -\$227,168 |
| Total | -\$891,865 | \$194,864 | -\$697,001 |

The RM stated that the deficits are a result of the following factors:

- The consumption used to determine the rates in the 2011 rate study was estimated at approximately 27% higher than the actual consumption for the period;
- Rates have not increased since 2014;
- The Utility has a staff of three full time certified employees; and
- Public Sector Accounting Board rules and amortization adjustments were not accounted for.

4.0 Public Hearing

The Public Hearing took place on July 12, 2018, in accordance with the Notice of Hearing. Approximately 110 members of the public attended, including some of the RM's Council members.

There were two registered speakers presenting at the hearing that the Board considered as evidence during its review. Summaries of the speakers are provided below.

- The first speaker, resident Mr. Gill, provided an 11 point presentation to the Board on the calculations of the deficit with questions on how it was calculated, and stating that the public was not made aware of any utility deficits. Mr. Gill also sought clarity on his usage and an explanation of the minimum charges. Mr. Gill provided further comments on the quality of water received from the Utility and the cost of bottled water.
- The second speaker, resident Mr. Douglas, provided a six point presentation to the Board seeking clarification on the rates for the Bristol Pipeline Utility customers that amalgamated with the Stony Mountain Utility in 2012. Mr. Douglas stated the differences between the two utilities and also stated that the previous Bristol Pipeline Utility customers should not be paying the same rates as the Stony Mountain Utility customers.

During the open comment session of the hearing, numerous members of the public provided opinions and comments. Where possible, RM and utility staff answered the questions that were presented.

Most of the comments and questions were regarding the deficits and method of recovery by rate rider of \$0.99 per cubic meter. Residents voiced that there was a lack of transparency regarding the deficits when incurred by the Utility; that the deficits were unreasonably high resulting in high quarterly utility bills; that the rate increases along with the rate rider are unaffordable for people on a fixed income and that the rate rider was for three deficits and now the Utility was adding two more deficits to the recovery, increasing costs again.

To keep the hearing moving, the Utility was directed to deal with all individual bill matters or customer service matters outside of the hearing, during regular business hours.

At the conclusion of the Public Hearing, the Reeve of the RM publically stated that the deficits were unexpected when the CAO and staff brought them to the attention of Council. He further stated that Council and staff were working together to communicate and fix the problems.

On July 16, 2018, a second set of information requests was sent to the RM regarding information presented at the hearing. Specifically, the Board requested clarification of the deficits for years 2012 and 2016, the total water sales (consumption) for all five years of deficit, information on the Stony Mountain Institute charges for the new lagoon, bulk water costs and shared cost allocation. The RM responded on July 30, 2018.

In this response the RM confirmed the deficit amounts for 2012 and 2016 and that once the new lagoon is operational, the Stony Mountain Institution will become a wastewater only customer of the Utility.

5.0 Board Findings

The Board acknowledges that the Utility is faced with large financial challenges due to the five deficits and because the rates were not compliant with Public Sector Accounting Board (PSAB) standards. The Board also acknowledges that correcting the financial position of the Utility is a large undertaking being done by the RM's staff.

The Board is sensitive to the effect of the rate increases on customers, however the Board must balance this effect with the financial sustainability of the Utility when approving rates.

The Board has reviewed the RM's submission and taken into account the presentations and comments from stakeholders at the hearing. Based on this information the Board's decision is as follows:

The Board approves the rates, previously set on an interim basis in Board Order No. 99/17, and sets as final for the years 2017, 2018 and 2019, as set out in "Schedule A" of this Order.

The Board commends the RM for its efforts in managing the unaccounted for water with the upgraded metering program, and for installing meters on previously unmetered customers. The Board encourages the RM to continue to monitor the unaccounted for water and metering of unmetered customers.

The Board approves the shared Cost Allocation Methodology, and reminds the Municipality that this methodology must be used consistently, and requires Board approval should any changes be considered.

The Board approves the maintenance contingency provision of 1% of historical costs, however, the Board notes this does not follow the Board's recommended Guidelines. The Board's Guidelines state that a yearly allowance equal to 10% of the variable operating costs of each system is recommended.

A Utility with mostly fixed costs does not usually encounter large unexpected expenses and a contingency provision could be less than the recommended 10%. A Utility may also determine that it has sufficient reserves or surplus to cover potential unexpected expenses and a contingency provision may not be required. This is not the case with the Stony Mountain Utility, and unexpected repairs could lead to more deficits.

The Board directs the RM to include a yearly maintenance contingency provision in its next rate application, using the Board's guidelines. If the maintenance contingency provision is not fully used within a given year, the RM may choose to transfer that portion into the Utility Reserve.

By law, Manitoba utilities are not allowed to incur deficits. In the event that a deficit does occur, a Utility is required to obtain Board approval for a recovery method.

The Board approves the actual operating deficits of \$61,213 in 2012 (this includes the Bristol Line Utility) and \$227,168 in 2016. The Board varies the recovery method, as set out in Board Order No. 99/17, for the 2013, 2014 and 2015 deficits and combines it with the 2012 and 2016 deficits for a total deficit amount of \$697,001, to be recovered by a rate rider of \$0.80 per cubic meter over seven years, or until the total deficit amount has been collected, whichever comes first. Amounts already collected will be put towards the deficits. This rate rider is effective January 1, 2019.

The Board recognizes the residents' concerns, that by adding a rate rider adds additional costs. To help bring down some of the costs, the Board has adjusted the rate rider to a seven year period, rather than the three year period previously ordered. Collecting the deficit by a rate rider based on consumption vs. flat rate, allows the ratepayer to adjust their usage to decrease their cost.

Should utility deficits materialize for 2017 and 2018 the Board directs the RM to file a deficit application and method of recovery as soon as any deficit is known.

The Board will require the Rural Municipality of Rockwood, Stony Mountain Water and Wastewater Utility, to review its rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates if required, on or before June 30, 2020.

The Public Utilities Board has three principle roles in relation to water and wastewater utilities, which include:

- to set utility rates;
- to approve utility operational deficits; and
- to act as the adjudicator for appeals.

It is not the Board's role to manage or audit the utilities. Municipal Utility owners must be diligent in ensuring that the rate base is sufficient to meet its operational requirements, including financial reporting, and that deficits are approved as per the legislative requirement.

The Board notes that the previous rates the Utility was charging were not sufficient to cover the Utility's expenses, which include amortization, and that the Utility has now incurred deficits for five consecutive years (2012-2016). The Utility's last rate application was submitted in January 2012. Regular rate reviews submitted on a timelier three-year period, as per the Board's Guidelines, protect the financial position of the Utility and mitigates the need for substantial rate increases and the additional costs of rate riders, as is the case for this utility.

The rate increase with deficit rate rider is considered rate shock, something that is common where rate requirements have not been addressed or assessed over long periods of time.

It is the Utility's responsibility to review the rates and ensure rates are adequate to recover the cost of service being provided to its customers. Customers are generally more tolerant of regular, smaller rate increases. The Council of the RM took belated action to address the deficits and to conduct a rate review, which has contributed to the significant rate

increases to the end users. The Board urges Council to review their internal processes to ensure situations such as this can be avoided in future.

6.0 IT IS THEREFORE ORDERED THAT:

1. The water and wastewater rates, as set on an interim *ex parte* rates basis in Board Order No. 99/17, for the Rural Municipality of Rockwood, Stony Mountain Water and Wastewater Utility, BE AND ARE HEREBY CONFIRMED AS FINAL for years 2017, 2018 and 2019, as set out in “Schedule A” to this Order.
2. The Cost Allocation Methodology for shared administrative services as submitted by the Rural Municipality of Rockwood BE AND IS HEREBY APPROVED.
3. The actual utility operating deficits, when calculated for regulatory purposes, totalling \$697,001, incurred in the years of 2012 to 2016 by the Rural Municipality of Rockwood, Stony Mountain Water and Wastewater Utility BE AND ARE HEREBY APPROVED, to be recovered by a rate rider of \$0.80 per cubic meter of water consumption, effective January 1, 2019, for a period of seven years (twenty eight quarterly billing cycles) or until the total deficit amount of \$697,001 is reached, whichever comes first.
4. The Rural Municipality of Rockwood, Stony Mountain Water and Wastewater Utility 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.
5. The Rural Municipality of Rockwood, Stony Mountain Water and Wastewater Utility file a deficit application with the Public Utilities Board for deficits in 2017 or 2018 (should it materialize) as soon as it is known.

SCHEDULE "A"

**BY-LAW #7/17
THE RURAL MUNICIPALITY OF ROCKWOOD
THE STONY MOUNTAIN WATER & SEWER UTILITY SYSTEM**

SCHEDULE OF QUARTERLY RATES

1. **COMMODITY RATES PER CUBIC METRE:**

| | WATER | SEWER | COMBINED |
|------|--------------|--------------|-----------------|
| 2017 | \$2.05 | \$2.15 | \$4.20 |
| 2018 | \$2.10 | \$2.25 | \$4.35 |
| 2019 | \$2.15 | \$2.40 | \$4.55 |

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 the water allowances indicated:

a) **WATER & SEWER CUSTOMERS:**

2017:

| Meter Size (mm) | Group Capacity Ratio | Minimum Quarterly Volume (m ³) | Service Charge | Commodity Rates | | Minimum Quarterly Charges |
|-----------------|----------------------|--|----------------|-----------------|----------|---------------------------|
| | | | | Water | Sewer | |
| 15 | 1 | 15 | \$15.95 | \$ 30.75 | \$ 32.25 | \$ 78.95 |
| 19 | 2 | 30 | \$15.95 | \$ 61.50 | \$ 64.50 | \$141.95 |
| 25 | 4 | 60 | \$15.95 | \$123.00 | \$129.00 | \$267.95 |
| 38 | 10 | 90 | \$15.95 | \$184.50 | \$193.50 | \$393.95 |
| 50 | 25 | 120 | \$15.95 | \$246.00 | \$258.00 | \$519.95 |

2018:

| Meter Size (mm) | Group Capacity Ratio | Minimum Quarterly Volume (m ³) | Service Charge | Commodity Rates | | Minimum Quarterly Charges |
|-----------------|----------------------|--|----------------|-----------------|----------|---------------------------|
| | | | | Water | Sewer | |
| 15 | 1 | 15 | \$17.20 | \$ 31.50 | \$ 33.75 | \$ 82.45 |
| 19 | 2 | 30 | \$17.20 | \$ 63.00 | \$ 67.50 | \$147.70 |
| 25 | 4 | 60 | \$17.20 | \$126.00 | \$135.00 | \$278.20 |
| 38 | 10 | 90 | \$17.20 | \$189.00 | \$202.50 | \$408.70 |
| 50 | 25 | 120 | \$17.20 | \$252.00 | \$270.00 | \$539.20 |

2019:

| Meter Size (mm) | Group Capacity Ratio | Minimum Quarterly Volume (m ³) | Service Charge | Commodity Rates | | Minimum Quarterly Charges |
|-----------------|----------------------|--|----------------|-----------------|----------|---------------------------|
| | | | | Water | Sewer | |
| 15 | 1 | 15 | \$18.40 | \$ 32.25 | \$ 36.00 | \$ 86.65 |
| 19 | 2 | 30 | \$18.40 | \$ 64.50 | \$ 72.00 | \$154.90 |
| 25 | 4 | 60 | \$18.40 | \$129.00 | \$144.00 | \$291.40 |
| 38 | 10 | 90 | \$18.40 | \$193.50 | \$216.00 | \$427.90 |
| 50 | 25 | 120 | \$18.40 | \$258.00 | \$288.00 | \$564.40 |

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) **FLAT RATE WATER ONLY CUSTOMERS:**

The flat rate charge for water only customers (unmetered water supply) are as follows:

- i) 2017: \$430.00
- ii) 2018: \$430.00
- iii) 2019: \$430.00

3. **BULK SALES:**

All water sold in bulk by the Rural Municipality of Rockwood shall be charged for at the following rates per cubic meter:

- i) 2017: \$2.40
- ii) 2018: \$2.45
- iii) 2019: \$2.55

4. **SERVICE TO CUSTOMERS OUTSIDE THE BOUNDARIES:**

The Council of the Rural Municipality of Rockwood may sign Agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Community of Stony Mountain. Such Agreements shall provide for payment of the appropriate rates set out in the 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 the Community

boundaries. In addition, all costs of connecting to the Utility's mains, installing, and maintaining, the customer will pay service connections.

5. **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.

6. **DISCONNECTION FOR NON-PAYMENT:**

The Public Utilities Board has approved the Conditions Precedent attached hereto as Appendix B, 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.

7. **RECONNECTION:**

Any service disconnected or added to taxes due to non-payment of account shall not be reconnected until all arrears, penalties, and a reconnection fee of \$75.00 have been paid.

a) Upon written request and payment of the applicable fee to the Rural Municipality of Rockwood as noted hereunder, service may be:

- i) Disconnected - \$75.00 fee
- ii) Removed - \$75.00 fee
- iii) Reconnected - \$75.00 fee

8. **OUTSTANDING BILLS:**

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

9. **HYDRANT CHARGES:**

The Rural Municipality of Rockwood shall pay to the Utility an annual hydrant charge of \$200.00 for each hydrant connected to the System, which includes the cost of water for fire fighting.

10. **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.

11. **WATER ALLOWANCE DUE TO LINE FREEZING:**

Where, at the request of 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.