

Order No. 62/19

**MUNICIPALITY OF LOUISE
PILOT MOUND WATER AND WASTEWATER UTILITY
REVISED RATES EFFECTIVE JULY 1, 2019, JANUARY 1, 2020, JANUARY 1, 2021,
AND JANUARY 1, 2022**

May 16, 2019

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

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1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) approves the revised water and wastewater rates for the Municipality of Louise (Municipality), Pilot Mound Water and Wastewater Utility (Utility) Effective July 1, 2019, January 1, 2020, January 1, 2021, and January 1, 2022.

The approved rates are as follows:

	Current By-Law 2018-20	July 1, 2019	January 1, 2020	January 1, 2021	January 1, 2022
Water (\$/1,000 gallons)	\$ 18.32	\$ 18.68	\$ 19.35	\$ 20.02	\$ 20.68
Wastewater (\$/1,000 gallons)	\$ 2.73	\$ 2.78	\$ 2.83	\$ 2.88	\$ 2.93
Quarterly Service Charge	\$ 4.30	\$ 6.38	\$ 8.46	\$ 10.54	\$ 12.61
Minimum Quarterly Charge*	\$ 67.45	\$ 70.76	\$ 75.00	\$ 79.24	\$ 83.44
Wastewater only Customers **	\$ -	\$ 28.62	\$ 31.10	\$ 33.58	\$ 36.05
Bulk water sales (\$/1,000 gallons)	\$ 18.69	\$ 24.00	\$ 24.00	\$ 25.00	\$ 26.00
*Based on 3,000 gallons					
**Based on 8,000 gallons plus Quarterly Service Charge					

Details of other rates may be found in the attached Schedule A.

Rationale for the Board's decisions may be found under Board Findings below.

2.0 Background

The Municipality owns and operates the Utility and treated water is purchased from the South Central District Water Cooperative (SCDWC). SCDWC is owned and operated by the Manitoba Water Services Board (MWSB) and as such is not subject to rate approvals by the Board. MWSB bills the Municipality for water sourced from SCDWC.

The Municipality owns and operates a water and wastewater utility serving 330 customers, two of which are unmetered, wastewater only customers. All other customers are metered and the utility bills are distributed on a quarterly basis, separate from the property tax bills. The Utility does not service any customers outside the Local Urban District (LUD) of Pilot Mound.

Water Supply/Distribution

The Utility obtains treated water from the SCDWC from a water treatment plant located in Pilot Mound, owned and operated by the Municipality.

The water lines were installed in the 1960's and the Utility is compliant with the requirements of the drinking water safety regulations.

Wastewater Collection/Treatment

The Municipality owns and operates a three-cell lagoon with one primary and two secondary cells linked together. There is sufficient capacity in the lagoons to meet the Utility's existing needs.

The wastewater lines were installed in the 1960's and the Utility is compliant with its Environmental License.

Unaccounted for Water

As of 2016, unaccounted for water is 9% and is within the Board's Guidelines acceptable percentage of 10%.

3.0 Application

On February 1, 2018, the Board received an application for revised rates from the Municipality for the Utility. The application was accompanied by a rate study completed by the Municipality's consultant and By-Law 2018-08, having been read for the first time on March 14, 2018.

The Municipality states the revised rates are required to provide for budgeted operating deficits forecasted for 2018, to provide reserve funding for a proposed water line renewal, and to increase the Utility's Working Capital to provide for future capital projects.

A Public Notice of Application was issued on March 21, 2018 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the Municipality on or before April 20, 2018. No expression of concern was received from customers.

On January 15, 2019, the Board received an application from the Municipality for pass-through rates, as there were increases to the wholesale water rates by \$1.08 per 1,000 gallons (from \$15.11 to 19.19) from the SCDWC. The pass-through rate increase was approved in Board Order No. 28/19 on February 27, 2019. Rates requested by the Municipality were subsequently revised accordingly to reflect the pass-through approval.

When reviewing an application, the Board has at its disposal two approaches, either a paper or public hearing review. After the publication of the Notice of Application, the Board considers the application and stakeholder responses, and determine which method of review is most appropriate. Whenever reasonable, the Board reviews the application using a paper review process, which save the cost of a public hearing process. Given the Board has not been advised of any issues/complaints, the Board has chosen a paper review process for this application.

The rates were calculated based on the following projections using an inflation rate of 2% in all calculations:

Schedule of Utility Rate Requirements – Pilot Mound Water and Wastewater Utility 2019 to 2022 Budget Forecasts (\$)				
	2019	2020	2021	2022
	Forecast			
General Expenses				
Administration	16,754	17,089	17,430	17,779
Billing and Collection	1,200	-	-	-
Total General Expenses	17,954	17,089	17,430	17,779
Revenue				
Penalties	1,128	1,128	1,128	1,128
Total General Revenues	1,128	1,128	1,128	1,128
Net Costs - General	16,826	15,961	16,302	16,651
Water Expenses				
Water Purchases	182,334	185,981	189,700	193,494
Transmission and Distribution	20,000	20,400	20,808	21,224
Connection Costs	204	208	212	216
Amortization	9,757	12,507	12,507	11,489
Interest on Long-Term Debt	11,399	10,521	9,613	8,677
Total Water Expenses	223,694	229,616	232,841	235,101
Revenue				
Bulk Water Fees	5,800	6,100	6,200	6,300
Hydrant Rentals (45 hydrants)	6,750	6,750	6,750	6,750
Total Water Revenue	12,550	12,850	12,950	13,050
Net Costs - Water	211,144	216,766	219,891	222,051
Wastewater Expenses				
Treatment and Disposal	12,240	12,485	12,734	12,989
Lift Station	5,750	5,865	5,982	6,102
Amortization	8,842	8,842	8,842	8,842
Net Costs – Wastewater	26,832	27,192	27,559	27,933
Total Costs	254,802	259,919	263,752	266,635

Working Capital Surplus/Deficit

Board Order No. 93/09 established that utilities should maintain a minimum working capital surplus, in an amount equal to 20% of annual expenses. The working capital surplus is defined as the Utility fund balance, excluding any capital-related items plus Utility reserves.

As per the 2017 audited financial statements, the working capital deficit at December 31, 2017 was:

Fund Surplus	\$49,787
Deduct Tangible Capital Assets	(441,892)
Add Long-Term Debt	376,928
Add Utility Reserves	85,868
Equals Working Capital Surplus	\$70,691
Operating Expenses	\$247,565
20% of operating expenses (Target)	\$49,513

The above-noted working capital calculation for the Utility meets the Board recommended 20% of operating expenses.

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 Municipality's proposed Cost Allocation Methodology is as follows:

Municipality of Louise – Pilot Mound Water and Wastewater Utility Allocation Plan for Non-Direct Shared Services as at February, 2018			
Category	Sub-category	Options	
1.0 Administrative Staff		Activity Based (see Note1)	
	1.1 Billing services – meter reading to receipting and collection.		Meter reading – Part of Public Works staff allocation; receipting; and collection part of administrative staff allocation.
	1.2 Accounting/ auditing/ including by-law making and enforcement.		3% of audit costs.
	1.3 Common office space		3% of office costs, utilities.
	1.4 Office overheads (telephone, photocopier, computer, etc.)		3% of PP&S
2.0 Operating, construction, and maintenance costs			
	2.1 Vehicle – fuel, maintenance, lease costs, capital costs	Costs that could be charged to the Utility are minimal and at present nothing is allocated to the Utility.	
	2.2 Labour – full time, part time, on call, sick time, vacation (see Note 2)		
	2.3 Public works building and property.	Costs that could be charged to the Utility are minimal and at present nothing is allocated to the Utility	
	2.4 Road repairs and alike (see Note 3)	Based on actual costs	
3.0 Major projects			
	Interest/Financing		N/A
	Labour	Based on actual costs.	
	External costs	Direct charge (dedicated consulting)	

Note 1 – Allocation must be updated periodically to reflect impacts of inflation.

Note 2 – Including salaries and benefits.

Note 3 – If a project involves work benefitting both the Utility and general operations the costs may be shared (i.e. If reconstructing a road and replacing services at the same time, a portion of the roadwork costs may be allocated to the Utility.).

Contingency Allowance and Utility Reserves

As per the Board's Water and Wastewater Rate Application Guidelines, a yearly allowance equal to 10% of the variable operating costs is recommended for contingency allowance.

There is a Contingency Allowance of 10% of net rate costs, less amortization expenses and interest costs, included in the rate study. This equates to \$20,189 for water and \$1,909 for wastewater (or a total Contingency Allowance of \$22,098).

The Municipality is budgeting a withdrawal of \$98,000 from Utility reserves in 2019 for a two-block water line renewal. To rebuild the Utility Working Capital and provide funding for future capital works projects, the Municipality is proposing the inclusion and annual transfer of \$20,000 to the Utility Reserve. This increase is in addition to the \$10,000 per year, being incorporated into utility purchase costs charged by the SCDWC and being held in trust by the MWSB.

4.0 Board Findings

The Board has reviewed the rate application and the projections presented by the Municipality in its application, and finds them to be reasonable. The Board approves the water and wastewater rates as applied for effective July 1, 2019, January 1, 2020, January 1, 2021 and January 1, 2022.

The Board approves the revised Cost Allocation Methodology and reminds the Municipality this methodology must be used consistently. Any changes to the new, revised cost allocation methodology require Board approval prior to its enforcement.

The Board encourages the Municipality to familiarize itself with the new Simplified Rate Application filing process in Board Order No. 86/17, and to use it in its next rate application if it is applicable.

The Board requires the Municipality to review its water and wastewater 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, 2022.

The Board notes no Public Utilities Board Note has been included in the Municipality's recent years' Audited Financial Statements. The Board strongly encourages the Municipality to work closely with its auditor(s) to ensure the Public Utilities Board Note to the Consolidated Financial Statements is complete and correct. If this note is omitted, incomplete, and/or incorrect, it inhibits the Board's ability to assess the Utility's financial position and the Municipality's ability to set appropriate rates to sustain the Utility and its operations.

5.0 IT IS THEREFORE ORDERED THAT:

1. The revised water and wastewater rates for the Municipality of Louise, Pilot Mound Water and Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule A, effective July 1, 2019, January 1, 2020, January 1, 2021, and January 1, 2022.
2. The revised Shared Cost Allocation Methodology for the Municipality of Louise BE AND IS HEREBY APPROVED.
3. The Municipality of Louise is to provide a notice of the decisions found in this order to its customers as soon as possible, with a copy provided to the Public Utilities Board.
4. The Municipality of Louise amend its water and wastewater 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 Municipality of Louise provide a notice to its customers, including the decisions in this Order and submit a copy to the Board once it has received third and final reading.
6. The Municipality of Louise review its water and wastewater rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates if required, by no later than December 31, 2022.

Fees payable upon this Order - \$500.00

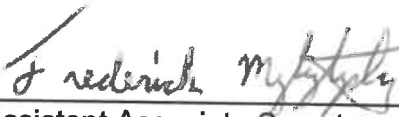
Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure. The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

THE PUBLIC UTILITIES BOARD

"Shawn McCutcheon"
Panel Chair

"Frederick Mykytyshyn"
Assistant Associate Secretary

Certified a true copy of Order No. 62/19
issued by The Public Utilities Board


Assistant Associate Secretary

**MUNICIPALITY OF LOUISE
PILOT MOUND UTILITY
WATER & SEWER UTILITY RATES BY-LAW # 2018-08
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
\$18.68	\$2.78	\$21.46
Quarterly Service Charge	\$6.38	

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>Group Capacity Ratio</u>	<u>Water Included Gallons</u>	<u>Customer Service Charge</u>	<u>Water Commodity Charge</u>	<u>Sewer Commodity Charge</u>	<u>Water & Sewer Total Quarterly Minimum</u>
16mm- 5/8"	1	3,000	\$6.38	\$56.04	\$8.34	\$70.76
19mm- 3/4"	2	6,000	\$6.38	\$112.08	\$16.68	\$135.14
25mm- 1"	4	12,000	\$6.38	\$224.16	\$33.36	\$263.90
38mm- 1 1/2"	10	30,000	\$6.38	\$560.40	\$83.40	\$650.18
50mm- 2"	25	75,000	\$6.38	\$1,401.00	\$208.50	\$1,615.88

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 Residential Customers**

The sewer only charge is based on average quarterly consumption of 8,000 gallons plus the quarterly customer service charge.

The quarterly charge for sewer only customers is $(8 * \$2.78) + \$6.38 = \$28.62$

d) **Bulk Water Sales**

All water sold in bulk will be charged at the rate of \$24.00 per 1,000 gallons.

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2020

Rates per 1,000 Gallons

1,000 Gallons per quarter

	Water	Sewer	Water & Sewer
	\$19.35	\$2.83	\$22.18
Quarterly Service Charge	\$8.46		

2. Minimum Charges per Quarter

Notwithstanding the rates set forth in paragraph 1, all customers will pay the applicable minimum charges per quarter set out below, which includes the water allowance as listed.

a) **Water & Sewer Customers**

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Water & Sewer Total Quarterly Minimum
16mm- 5/8"	1	3,000	\$8.46	\$58.05	\$8.49	\$75.00
19mm- 3/4"	2	6,000	\$8.46	\$116.10	\$16.98	\$141.54
25mm- 1"	4	12,000	\$8.46	\$232.20	\$33.96	\$274.62
38mm- 1 1/2"	10	30,000	\$8.46	\$580.50	\$84.90	\$673.86
50mm- 2"	25	75,000	\$8.46	\$1,451.25	\$212.25	\$1,671.96

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 Residential Customers**

The sewer only charge is based on average quarterly consumption of 8,000 gallons plus the quarterly customer service charge.

The quarterly charge for sewer only customers is $(8 * \$2.83) + \$8.46 = \$31.10$

d) **Bulk Water Sales**

All water sold in bulk will be charged at the rate of \$24.00 per 1,000 gallons.

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2021

Rates per 1,000 Gallons

1,000 Gallons per quarter

	Water	Sewer	Water & Sewer
	\$20.02	\$2.88	\$22.90
Quarterly Service Charge	\$10.54		

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>Group Capacity Ratio</u>	<u>Water Included Gallons</u>	<u>Customer Service Charge</u>	<u>Water Commodity Charge</u>	<u>Sewer Commodity Charge</u>	<u>Water & Sewer Total Quarterly Minimum</u>
16mm- 5/8 inch	1	3,000	\$10.54	\$60.06	\$8.64	\$79.24
19mm- 3/4 inch	2	6,000	\$10.54	\$120.12	\$17.28	\$147.94
25mm- 1 inch	4	12,000	\$10.54	\$240.24	\$34.56	\$285.34
38mm- 1½ inch	10	30,000	\$10.54	\$600.60	\$86.40	\$697.54
50mm- 2 inch	25	75,000	\$10.54	\$1,501.50	\$216.00	\$1,728.04

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 Residential Customers

The sewer only charge is based on average quarterly consumption of 8,000 gallons plus the quarterly customer service charge.

The quarterly charge for sewer only customers is $(8 * \$2.88) + \$10.54 = \$33.58$

d) Bulk Water Sales

All water sold in bulk will be charged at the rate of \$25.00 per 1,000 gallons.

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2022

Rates per 1,000 Gallons

1,000 Gallons per quarter

	<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
Quarterly Service Charge	\$20.68	\$2.93	\$23.61
	\$12.61		

2. Minimum Charges per Quarter

Notwithstanding the rates set forth in paragraph 1, all customers will pay the applicable minimum charges per quarter set out below, which includes the water allowance as listed.

a) Water & Sewer Customers

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Water & Sewer Total Quarterly Minimum
16mm- 5/8 inch	1	3,000	\$12.61	\$62.04	\$8.79	\$83.44
19mm- 3/4 inch	2	6,000	\$12.61	\$124.08	\$17.58	\$154.27
25mm- 1 inch	4	12,000	\$12.61	\$248.16	\$35.16	\$295.93
38mm- 1½inch	10	30,000	\$12.61	\$620.40	\$87.90	\$720.91
50mm- 2 inch	25	75,000	\$12.61	\$1,551.00	\$219.75	\$1,783.36

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 Residential Customers

The sewer only charge is based on average quarterly consumption of 8,000 gallons plus the quarterly customer service charge.

The quarterly charge for sewer only customers is $(8 * \$2.93) + \$12.61 = \$36.05$

d) Bulk Water Sales

All water sold in bulk will be charged at the rate of \$26.00 per 1,000 gallons.

The following clauses take effect July 1, 2019:

3. 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.

4. Hydrant Charges

The LUD of Pilot Mound, 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.

5. Liability for Charges

Where charges and penalties pursuant to this by-law are not paid within ninety (90) days from the date when they were incurred, said charges and penalties shall be added to the taxes on the property and collected in the same manner as other taxes pursuant to Section 252 (2) of *The Municipal Act*. The amount of all outstanding charges for water and sewer services, including fines and penalties, are a lien and charge upon the land serviced, and may be collected in the same manner in which ordinary taxes upon the land are collectible, and with like remedies

6. Disconnection and Reconnection

The Public Utilities Board has approved the Conditions Precedent to be followed by the Municipality with respect to disconnection of service for non-payment including such matters as notice and the right to appeal such action to The Public Utilities Board. A copy of the conditions precedent is available for inspection at the Municipality's office.

Any service disconnected, whether due to non-payment of account or for any other reason(s) mutually agreed to by the customer and the Municipality (ie. repairs necessitated by negligence of the customer, changes in tenant, vacancy for an extended period of time, etc.) shall not be reconnected until a reconnection fee of \$50.00 and all arrears and penalties, if any, have been paid.

Any customer wishing to have billings discontinued due to vacancy of premises shall be required to have service disconnected and to pay \$50.00 reconnection fee when service resumes.

7. Water and Sewer Connections

- a) Each customer applying for water turn on or turn off of service during any quarter shall pay the proportionate part of the current minimum quarterly charge provided that in the computing same broken half month shall be considered as a full month. In all cases any excess water used will be charged at the rates set forth under Commodity Rates.
- b) All costs for new connections and maintenance thereafter shall be paid by the customer or developer as the case may be and such connections are to be approved by the Council of the Municipality of Louise.
- c) A service charge of \$50.00 shall be paid before any water is turned on, and shall be the responsibility of the owner.

8. Water Allowances 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 billings for the last two previous quarters to the same customer, or to the same premises if the occupant has changed.

9. Sewer Surcharges

- a) There may be levied annually, in addition to the rates set forth above, a special surcharge on sewage having a Biochemical Oxygen Demand in excess of 300 parts per million, to be set by Resolution of Council.
- b) A special surcharge for substances requiring special treatment shall be charged based on the actual costs of treatment required for the particular sewage or industrial waste.

10. Water Meters

That all water connections be metered. The meter to be supplied by and remain the property of the utility system. The cost of the meter shall be recovered through the water rates.

- a) Meter Repairs -Where a water meter is damaged as a result of negligence of a user, such user shall pay the cost of repairing the damaged meter and the said amount will immediately become a debt due and owing to the Utility within (10) ten days of the demand of same, the water service of said user may be disconnected for repairs. A fee of \$50.00 shall be charged for a reconnection of the service disconnected under this paragraph.
- b) Meter Testing - Any consumer who desires and requests that their water meter be tested for accuracy shall deposit with the utility the sum of \$50.00. If the meter when tested is found to be in excess of the allowable limits, the deposit shall be refunded and the consumer's account shall be adjusted for the preceding four months use. The allowable limit of variation shall be 3% of average flow.

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.

14. Service To Customers Outside Utility's Limits

The Council of Municipality of Louise may sign Agreements with customers for the provision of water and sewer services to properties located outside the boundaries of the Local Urban District of Pilot Mound.

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 LUD of Pilot Mound boundaries. In addition, all costs of connecting to the Utility's mains, and installing and maintaining service connections, will be paid by the customer.