

**Order No. 105/17**

**MUNICIPALITY OF PEMBINA  
LOCAL URBAN DISTRICT OF DARLINGFORD  
WASTEWATER RATES January 1, 2018 and 2019 &  
2015 DEFICIT RECOVERY**

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**September 29, 2017**

**BEFORE: Shawn McCutcheon, Member, Panel Chair  
Carol Hainsworth, C.B.A, Member  
Susan Nemec, FCPA, FCA, Member**

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## 1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves the revised wastewater rates effective January 1, 2018 and 2019 for the Municipality of Pembina (Municipality), Local Urban District (LUD) of Darlingford Sewage Collection System (Utility). The Board also approves the 2016 anticipated operating deficit of \$55,000 to be recovered through the reserve.

The approved rates are as follows:

Yearly Rates	Current Rates By-law No. 4-2012 2015	Proposed Rates By-law No. 3-2016 2018	Proposed Rates By-law No.3-2016 2019
Unmetered Services Flat Rate per REU*	\$222.99	\$255.31	\$257.33
Customer Service Charge	\$8.65	\$7.12	\$7.26

\*Residential Equivalency Unit (REU)

The details of other rates may be found in the attached Schedule "A".

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

## 2.0 Background

The Darlingford Utility provides wastewater service to 86 customer, including residential and commercial/public customers. All customers of the Utility use private wells for their water supply. Each customer is assigned a residential equivalency units (REU) determined in accordance with the Public Utilities Board's Guidelines. There are a total of 89 REUs assigned by the Utility. Customers are billed annually in June with their property taxes.

Customer Classification	Units Charged	Number of Customers	Total Units
Residence	1	84	84
Town Hall	3	1	3
Museum/Meeting Room	3	1	3

### Wastewater – Collection/Treatment

The System uses a two-cell lagoon (primary and secondary), with a build date estimated to be around 1974 by Manitoba Conservation, and is currently operating without an operating license. The Community of Darlingford has a gravity flow wastewater system and pipes their wastewater via a forcemain to the lagoon's primary cell. Rural residents use septic tanks, from which septic is truck hauled to the lagoon. The haulers are not charged tipping fees by the Utility.

The 2010 sewage lagoon assessment study states the lagoon is currently operating under the following conditions:

- The lagoon has no environmental license;
- The lagoon has no impermeable liner; and
- The lagoon is undersized for the hydraulic load.

In December 2015, Manitoba Conservation and Water Stewardship informed The Municipality of Pembina that the Darlingford and La Riviere Lagoons were not compliant

with Provincial Government Regulations. It was also requested that the sewer lines in the LUD of Darlingford be televised to see if any further repairs would be required.

In February 2016, the Municipality requested assistance from The Manitoba Water Services Board to complete an engineering assessment of the lagoon, apply for an operating license and complete an Environmental Act Proposal. The Municipality has also requested assistance for funding from The Manitoba Water Services Board for the repairs/replacement of the lagoon.

### 3.0 Application

On July 19, 2016 the Municipality applied for revised wastewater rates to be effective January 1, 2017 as set out in By-law No. 3/2016 (read for the first time on December 20, 2016). The application was supported by a Utility Rate Proposal for the Darlingford Sewage Collection System, prepared by the Municipality's Chief Administrative Officer. Rates were last reviewed in 2013, Board Order No. 14/13.

A Public Notice of Application was issued on December 20, 2016 affording customers the opportunity to comment to both the Board and Municipality with respect to the proposed rate increases.

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 will consider the application and stakeholder responses, and determine which method of review is most appropriate.

A public hearing process allows the Utility and stakeholders the opportunity to present their application and any concerns to the Board in person. Whenever reasonable, the Board will review the application using a paper review process, which saves the cost of a public hearing process. The Board has chosen this option for this application.

Consistent with past practice, the Municipality intend to collect the annual wastewater charge through the annual property tax bill.

The rate study proposed the following rates for the LUD of Darlingford:

	<b>Current</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Customer Service Charge	\$222.99	\$247.47	\$255.31	\$257.33
Unmetered Service (flat rate per REU)	\$8.65	\$6.98	\$7.12	\$7.26

These rates are based on the following projected expenses:

	2017	2018	2019
<i>General expenses:</i>			
Administration	600	612	624.24
Equity surcharge (1% of annual expenses)			
<i>Total general revenue</i>			
<b>Net revenue general</b>	<b>600</b>	<b>612</b>	<b>624.24</b>
<b>Net rate revenue requirement - water</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Sewer expenses:</i>			
Staffing	3,400	3,468	3,537
Sewage treatment & Disposal	3,000	3,060	3,121
Amortization/depreciation	472	-	-
Reserves	3,000	3,000	3,000
Future Remediation	10,000	11,000	11,000
Minor capital upgrades*	2,000	2,040	2,081
Contingency**	500	510	520
<b>Total sewer expenses</b>	<b>22,372</b>	<b>23,078</b>	<b>23,260</b>
<i>Revenue</i>			
Investment Income	100	100	100
<b>Total revenue - sewer</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Net rate revenue requirement - sewer</b>	<b>22,272</b>	<b>22,978</b>	<b>23,160</b>

\*These are minor expenses that will not be capitalized

\*\*Contingency is calculated to be 10% of variable operating expenses.

The amortization of the sewer system ends in 2017. The amount budgeted for the lagoon repair/replacement and sewer line repairs will be drawn from the reserve. It is anticipated going forward that more funds will be required to help the remediation process.

An Agreement was received by the Municipality on June 29, 2016 from The Manitoba Water Services Board which is awaiting Council's approval. These projections include provisions of \$32,500 for the agreement and \$17,000 (plus living allowances) for televising the sewer lines.

## Anticipated Deficit

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.

On July 19, 2016, the Board also received an application from the Municipality for an anticipated operating deficit, in the amount of \$55, 000. This anticipated deficit is because of repair/replacement of the lagoon and sewer lines. The Municipality would like to cover the estimated \$55,000 costs from the Utility reserve (75% of reserve total).

## 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 2015 audited financial statements, the most recent information available, the working capital surplus at December 2015 was:

	2015
Fund Surplus/Deficit	64,918
Deduct TCA	4,070
Add Long-Term Debt	0
Add Utility Reserves	26,466
<b>Equals Working Capital Surplus</b>	<b>87,314</b>
2015 Total operating costs	6,797
20% of operating costs	1,359



## 4.0 Board Findings

The Board has reviewed the application and the projections presented by the Municipality in the rate application, and finds them to be reasonable.

A public notice was issued on December 20, 2016 affording customers the opportunity to comment to both the Board and Municipality with respect to the proposed increases. The Board received no responses from stakeholders, indicating ratepayers understand that the proposed rates are reasonable.

The Board finds that the revenue estimates provided are acceptable and will approve the rates for 2017, 2018 and 2019. The Municipality proposed the effective dates to be January 2017 (Year One rates), January 1, 2018 (Year Two rates) and January 1, 2019 (Year Three rates).

The Board is generally not supportive of retroactive rate increases, and approve them only in circumstances where it is in the best interest of all parties. For this reason, the Board will approve the revised rates starting on January 1, 2018 (Year Two rates).

The Board has reviewed the Municipality's 2016 anticipated operating deficit application and finds that the calculation and analysis are reasonable. The Board will approve the transfer of \$55,000 from the utility reserves to recover the deficit.

As property tax credits offset only property taxes, the practice of collecting utility costs can become unclear on property tax statements. The Board will recommend that the LUD of Darlingford consider switching to an annual or quarterly utility billing, rather than include the utility charges on the tax bill, to send a clearer pricing signal to ratepayers.

The current cost allocation methodology was approved in Board Order No 14/13 and remains in effect.

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 (Rules). The Board's Rules may be viewed on the Board's website at [www.pubmanitoba.ca](http://www.pubmanitoba.ca).

## 5.0 IT IS THEREFORE ORDERED THAT:

1. The revised wastewater rates for the Municipality of Pembina – L.U.D. of Darlingford Utility BE AND ARE HEREBY APPROVED in accordance with the attached Schedule “A”, effective January 1, 2018 and 2019.
2. The Municipality of Pembina is to provide a notice to its customers, including the decisions found in the Order, in the next quarterly billing with a copy provided to the Public Utilities Board.
3. The anticipated operating deficit for 2016 of \$55,000 for the Municipality of Pembina that will be incurred by the municipality of Pembina – L.U.D of Darlingford Wastewater Distribution System is HEREBY APPROVED to be recovered through the reserve.
4. The Municipality of Pembina amend its wastewater By-law for the Darlingford Utility 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 Pembina review its 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 June 30, 2020.

Fees payable upon this Order – \$500.00



SCHEDULE "A"  
MUNICIPALITY OF PEMBINA  
LOCAL URBAN DISTRICT OF DARLINGFORD  
WASTEWATER RATES BY-LAW NO. 3/2016

1) SCHEDULE OF YEARLY RATES:

**2017 Rates**

1. Commodity rates Sewer  
Unmetered Services Flat Rate per Unit \$247.47

2. Minimum Charges, Yearly  
Notwithstanding the Commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charges set out below:

a) Sewer Customers

<u>Classification</u>	<u>Group Capacity Ratio</u>	<u>Customer Service Charge</u>	<u>Sewer Charge</u>	<u>Total Yearly Charge</u>
Residence (Single Dwelling)	1	\$6.98	\$247.47	\$254.45
Town Hall	3	\$6.98	\$742.41	\$749.39
Museum/Meeting Room	3	\$6.98	\$742.41	\$749.39

**2018 Rates**

1. Commodity rates Sewer  
 Unmetered Services Flat Rate per Unit \$255.31

2. Minimum Charges, Yearly

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

a) Sewer Customers

<u>Classification</u>	<u>Group Capacity Ratio</u>	<u>Customer Service Charge</u>	<u>Sewer Charge</u>	<u>Total Yearly Charge</u>
Residence (Single Dwelling)	1	\$7.12	\$255.31	\$262.43
Town Hall	3	\$7.12	\$765.93	\$773.05
Museum/Meeting Room	3	\$7.12	\$765.93	\$773.05

**2019 Rates**

1. Commodity rates Sewer  
 Unmetered Services Flat Rate per Unit \$257.33

2. Minimum Charges, Yearly

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

a) Sewer Customers

<u>Classification</u>	<u>Group Capacity Ratio</u>	<u>Customer Service Charge</u>	<u>Sewer Charge</u>	<u>Total Yearly Charge</u>
Residence (Single Dwelling)	1	\$7.26	\$257.33	\$264.59
Town Hall	3	\$7.26	\$771.99	\$779.25
Museum/Meeting Room	3	\$7.26	\$771.99	\$779.25

- 2) Lagoon Tipping Fees  
Each septic wastewater contractor registered with the Municipality shall be charged a flat annual fee to be paid by September 30 of each year of \$250.00 for access to the lagoons located in the LUD of Darlingford, the LUD of La Riviere and the Town of Manitou.
- 3) Service to Customers Outside Municipality, Town, or L.U.D. Limits  
The Council of the Municipality of Pembina may sign agreements with customers for the provision of sewer services to properties located outside the legal boundaries of the LUD of Darlingford. 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 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 these boundaries. In addition, all costs of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.
- 4) Disconnection  
The Public Utilities Board has approved the Conditions Precedent to be followed by the municipality with respect to the disconnection of service for non-payment including such matters as notice and the right to appeal such action to the Public Utilities Board. A copy of the Conditions Precedent is available for inspection at the Municipality's office.
- 5) Reconnection  
Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$50.00 has been paid.
- 6) Outstanding Bills  
Pursuant to Section 252(2) of *The Municipal Act*, the amount of all outstanding charges for water and sewer service are a lien and charge upon the land serviced, and shall be collected in the same manner in which ordinary taxes upon the land are collectible, and with like remedies.
- 7) Sewage Surcharges
  - a) There may be levied annually, in addition to 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.