

Order No. 106/17

**MUNICIPALITY OF PEMBINA
LOCAL URBAN DISTRICT OF LA RIVIERE
WASTEWATER RATES
JANUARY 1, 2018 and 2019
2016 DEFICIT RECOVERY**

October 2, 2017

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

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1.0 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 of La Riviere Utility (Utility). The Board also approves the 2016 anticipated operating deficit of \$75,000 to be recovered through the reserve.

The approved rates are as follows:

Yearly Rates	Current Rates By-law No. 3-2012 2015	By-law No. 4-2016 2018	By-law No.4-2016 2019
Unmetered Services Flat Rate per REU*	\$151.29	\$186.63	\$190.38
Customer Service Charge	\$6.33	\$5.14	\$5.25

*Residential Equivalency Unit (REU)

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 Municipality owns and operates L.U.D. of La Riviere wastewater utility serving 119 wastewater customers.

The Municipality advises that the number of Residential Equivalency Units (REUs) assigned is 147, one REU being the volume of wastewater estimated to be produced by the average single family residence. Units allocated to other customers are based on estimated consumption, as compared with a residence. REUs are used in communities with unmetered distribution and collection systems, where information regarding actual consumption is unavailable. Customers are billed annually in June with their property taxes.

Customer Classification	Units Charged	Number of Customers	Total Units
Residence	1	115	115
Holiday Mountain Ski Lodge	10	1	10
Motel/Restaurant	10	1	10
La Riviere Lodge	10	1	10
Recreation Centre	2	1	2

Wastewater- Collection/Treatment

The exact age of the sewer system in La Riviere is unknown but it is believed to have been built in the early 1960's. The facultative lagoon is not in compliance to Manitoba Conservation requirements and the lagoon soils are not suitable to the permeability requirements. The lagoon has more than adequate organic capacity based on calculated loads to the lagoon primary cell. The secondary cell does not have sufficient hydraulic capacity based on typical per capita water use. The sewer mains have never been televised, thus the actual condition of the mains and manholes is unknown.

In its 2016 rate application, the Municipality advised the Board that it is planning on running a camera through the entire system to check on the condition and repair what is needed is to be repaired.

In December 2015, Manitoba Conservation and Water Stewardship informed The Municipality of Pembina that the Darlingford and La Riviere Lagoons were not compliant Provincial Government Regulations. It was also requested that the sewer lines in the LUD of La Riviere be televised to see if any further repairs would be required.

The Municipality requested assistance from the Manitoba Water Services Board to complete an engineering assessment of the lagoon, apply for an operating licenses and complete and Environment Act Proposal. The Municipality 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. 4/2016 (read the first time on July 14, 2016). The application was supported by a 2016 rate study dated prepared by the Municipality's Chief Administrative Officer. Rates were last reviewed in 2012, Board Order No. 13/13.

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 a 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.

The Board may review the application using a paper review process, which saves the cost of a public hearing process. Having received no expressions of concern from consumers, the Board decided to process this application with a paper-based review.

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

The rate study proposed the following rates for the LUD of La Riviere:

	Current	2017	2018	2019
Customer Service Charge	\$6.33	\$182.96	\$186.63	190.38
Unmetered Service (flat rate per REU)	\$151.29	\$5.04	\$5.14	\$5.25

The rates were calculated based on projected 2017 expenses:

	2017	2018	2019
General			
Administration	\$ 600.00	\$ 612.00	\$ 624.24
Net expenses general	\$ 600.00	\$ 612.00	\$ 624.24
Net rate revenue requirement - water	\$ -	\$ -	\$ -
Sewer Expenses			
Staffing	\$ 3,200.00	\$ 3,264.00	\$ 3,329.00
Sewage lift station	\$ 2,500.00	\$ 2,550.00	\$ 2,601.00
Sewage treatment and disposal	\$ 2,500.00	\$ 2,550.00	\$ 2,601.00
Amortization/depreciation	\$ 2,831.00	\$ 2,329.00	\$ 2,329.00
Reserves	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
Future remediation	\$ 10,265.00	\$ 11,088.00	\$ 11,416.00
Minor capital upgrades	\$ 2,000.00	\$ 2,040.00	\$ 2,081.00
Contingency	\$ 700.00	\$ 714.00	\$ 728.00
Total sewer expenses	\$ 26,996.00	\$ 27,535.00	\$ 28,085.00
<i>Revenue</i>			
Investment income	\$ 100.00	\$ 100.00	\$ 100.00
Total non-rate revenue sewer	\$ 100.00	\$ 100.00	\$ 100.00
Net rate revenue requirement	\$ 26,896.00	\$ 27,435.00	\$ 27,985.00

The Municipality previously budgeted \$2,000 for education of the sewer operators. Since the amalgamation in 2015, the Municipality gained better trained employees and has lowered the budget to \$1,000 annually.

The lift station was examined in June 2016 and was found that some major work was needed to upgrade the lift and to ensure that nothing would break and have sewage back flow into the resident homes.

The projections also included a provision of \$19,436 to camera the sewer lines to see the condition that the lines are in (plus living expenses). There is also a budget of \$20,000 for the expected costs of repairing the sewer lines from when the cameraing is done.

The projections also provide \$32,000 budget for half of the engineering/environmental assessment that is required.

An Agreement was received by the Municipality on June 29, 2016 from The Manitoba Water Services Board which is awaiting Council's approval.

Lagoon Tipping Fee

The Municipality proposed that the tipping fees for each 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 L.U.D. of La Riviere.

2016 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 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 for 2016, in the amount of \$75,000. This anticipated deficit is because of repair/replacement of the lagoon and sewer lines. The Municipality would like to cover the estimates costs from the Utility reserve (90% of reserve total). The Municipality also submitted Council Resolution No. 124/2016 in support of the deficit application.

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 31, 2015 was:

Working Capital Surplus/Deficit	2015
Fund Surplus/Deficit	\$ 136,037
Deduct Tangible Capital Assets	\$ 53,465
Add Long-Term Debt	\$ -
Add Utility Reserves	\$ 19,736
Equals Working Capital Surplus	\$ 102,308
Operating costs	\$ 12,611
20% of operating costs	\$ 2,522

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 receiving approval from the Board. The Board's requirements regarding cost allocation methodologies can be found in Board Order No. 93/09.

The Municipality had a Cost Allocation Methodology approved on Order No. 13/13

4.0 Board Findings

The Board has reviewed the application and the projections presented by the Municipality in its rate application.

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 rate payers 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 date be January 1, 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 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 \$75,000 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 La Riviere 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.

5.0 IT IS HEREBY ORDERED THAT:

1. The revised wastewater rates for the Municipality of Pembina – L.U.D. of La Riviere 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 this Order, in the next quarterly billing with a copy provided to the Public Utilities Board.
3. The anticipated operating deficit for 2016 of \$75,000 for the Municipality of Pembina – L.U.D. of La Riviere Utility is HEREBY APPROVED to be recovered through a transfer from the Utility’s reserves.
4. The Municipality of Pembina amend its wastewater rate By-law for the La Riviere 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

THE PUBLIC UTILITIES BOARD

“Shawn McCutcheon”
Panel Chair

“Rachel McMillin, B.Sc.”
Acting Secretary

Certified a true copy of Order No. 106/17 issued
by The Public Utilities Board

Acting Secretary

**Municipality of Pembina
L.U.D. of La Riviere Wastewater Rates
By-law No. 4/2016**

Schedule "A"

1. SCHEDULE OF YEARLY RATES:

2017 Rates

<u>Commodity rates</u>	<u>Sewer</u>
Unmetered Services Flat Rate per Unit	\$182.96

Minimum Charges, Yearly

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

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	\$5.04	\$182.96	\$188.00
Holiday Mountain Ski Lodge	10	\$5.04	\$1,829.60	\$1,834.64
Motel/Restaurant	10	\$5.04	\$1,829.60	\$1,834.64
La Riviere Lodge	10	\$5.04	\$1,829.60	\$1,834.64
Recreation Centre	2	\$5.04	\$365.92	\$370.96

2018 Rates

<u>Commodity rates</u>	<u>Sewer</u>
Unmetered Services Flat Rate per Unit	\$186.63

Minimum Charges, Yearly

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

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	\$5.14	\$186.63	\$191.77
Holiday Mountain Ski Lodge	10	\$5.14	\$1,866.30	\$1,871.44
Motel/Restaurant	10	\$5.14	\$1,866.30	\$1,871.44
La Riviere Lodge	10	\$5.14	\$1,866.30	\$1,871.44
Recreation Centre	2	\$5.14	\$373.26	\$378.40

2019 Rates

<u>Commodity rates</u>	<u>Sewer</u>
Unmetered Services Flat Rate per Unit	\$190.38

Minimum Charges, Yearly

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

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	\$5.25	\$190.38	\$195.63
Holiday Mountain Ski Lodge	10	\$5.25	\$1,903.80	\$1,909.05
Motel/Restaurant	10	\$5.25	\$1,903.80	\$1,909.05
La Riviere Lodge	10	\$5.25	\$1,903.80	\$1,909.05
Recreation Centre	2	\$5.25	\$380.76	\$386.01

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 La Riviere. 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 wastes.