

**Order No. 24/18**

**THE RURAL MUNICIPALITY OF COLDWELL  
LUNDAR WASTEWATER UTILITY  
WASTEWATER RATES JANUARY 1, 2018**

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**February 9, 2018**

**BEFORE:** Marilyn Kapitany, B.Sc (Hons), M.Sc., Panel Chair  
Shawn McCutcheon, Member

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## 1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) approves the revised wastewater rates for the Rural Municipality of Coldwell (RM) for the Lundar Wastewater Utility (Utility) effective January 1, 2018 as follows:

	<b>Current By-law (09/2008)</b>	<b>Proposed By-law (01/16) Jan 1, 2018</b>
Wastewater Rates - Residential Equivalency Units- REU*	\$26.10	\$61.90
Semi-annual Service Charge	\$11.25	\$11.55
Total Half-Yearly Charge	\$37.35	\$73.45
*Based on one (1) 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 on the Issues".

## 2.0 Background

The RM owns and operates the Lundar Wastewater Utility serving connected service to the residents of Local Improvement Districts (LID) 1 and 2 – Lundar. Residents of the RM outside the LID have lagoon service (where each resident is responsible for hauling costs) and also the neighbouring Municipality of Armstrong (eight customers) with lagoon service. The Municipality of Armstrong remits to the RM \$25.00 per resident using this service annual.

The last Board Order issued to the RM is Board Order No. 69/15 dated July 17, 2015 approved revenue deficits for the Utility for 2010, 2011 and 2012, which were a result of amortization expenses not being accounted for within the rates. These deficits were approved to be recovered from the accumulated Utility surplus.

In addition, the RM had previously passed By-law No. 03/2006 setting up a “Replacement / Addition Sewer Line and Lift Station Reserve” for the “as-needed” repairs and through a mil rate levy of 1.29 (2014), \$20,000 was collected annually without Board approval.

Therefore, the Board also ordered, in Board Order 69/15, that the RM discontinue the practice of collecting wastewater utility reserve funds through taxes and include a provision for reserves to be built through rates in their next application for revised wastewater rates.

### **Wastewater – Collection/Treatment**

The system includes three (3) lift stations – one reconstructed in 2014 (resulting in a deficit in 2014), one reconstructed in 1982 and one, which is the originally installed station in 1973. This original system was constructed with 50% of the capital costs paid for by grants. The system meets its environmental licensing requirements and the discharges are made into a drainage ditch, which leads to Lake Manitoba to the west. There have been no emergency releases from the lagoon. The lagoon is in good shape and meets the more immediate future needs of the RM.

The RM reports the wastewater lines as the more challenging part of the system. As of 2014, three quarters of the collection system have been scanned. A defined plan has not yet been developed for a line upgrading program despite the age and current condition of the collection system but rather repairs to the system are on an “as-needed” basis.

### **3.0 Application**

The RM applied on January 21, 2016 for revised wastewater rates the Utility. The application was accompanied by a rate study prepared by the RM's consultant and By-law 01/2016 having received first reading on January 12, 2016. The last rates were set in Board Order 96/99 in May 1999. By-law No. 9/2008 simply updated the newly required disconnection clause (rates were not amended at that time).

As per the application, the Utility serves 273 customers (2015) within Lundar that have connected service and has assigned 373 Residential Equivalency Units (REUs). One REU being the volume of water estimated to be used by the average single family residence. Units allocated to other customers are based on estimated water they will use, as compared with a residence. REUs are used in communities with unmetered distribution and collection systems, where information regarding actual consumption is unavailable.

The increase in rates is because of the change in the manner in which the reserves are now being built and the collection of contingency, with inflation of 3% in each year accounting for part of this increase.

Customers are currently billed semi-annually in May and November. The current charges are set out in By-law No. 09/2008 and a single REU customer is charged \$37.35 for 6 months service, which includes a customer service charge of \$11.25 and a sewer service charge of \$26.10. There are no fees collected from the residents who live in the RM outside the LID boundaries.

A Notice of Application was issued on February 22, 2016 affording customers the opportunity to comment to both the Board and the RM with respect to the proposed

increases. The Board received one comment. However, the RM advised that the office received numerous questions and disapprovals of the increase.

In a letter dated March 1, 2017 the RM advised that it subsequently determined a revised rate proposal ought to be submitted to the Board for approval. The RM reviewed the level of expenditures on which the initial rate application was made. The RM determined that the administration costs were understated requiring a shift of some of the operating costs to administration and further to lower the annual contribution to reserves from \$20,000 annually to \$10,000.

The rates were calculated based on the following revenue requirements:

	Actual	Projected	Forecast		
3%	2014	2015	2016	2017	2018
Administration <sup>1</sup>	3,000	3,000	3,000	6,600	6,600
	3,001	3,169	3,606		
<b>Total expenses general</b>	<b>6,001</b>	<b>6,169</b>	<b>6,606</b>	<b>6,600</b>	<b>6,600</b>
Penalties	204	300	300	300	300
Investment income	0	0	0	0	0
Total revenue general	204	300	300	300	300
<b>Net costs general</b>	<b>5,797</b>	<b>5,869</b>	<b>6,306</b>	<b>6,300</b>	<b>6,300</b>
Line flushing, cleaning, repairs <sup>2</sup>	0	6,550	6,695	3,296	3,395
Sewage Collection System <sup>3</sup>	15,889	5,000	5,150	5,305	5,464
Sewage Lift Station <sup>3</sup>	36,538	3,500	3,605	3,713	3,825
Repairs and Maintenance	0	10,000	10,300	10,609	10,927
Other sewage and disposal costs <sup>4</sup>	100	4,000	4,120	4,244	4,371
Connection-Net Loss <sup>5</sup>	300	4,500	4,635	4,774	4,917
Amortization	12,252	12,252	12,252	12,252	12,252
Interest on long term debt	1,181	913	628	324	0
Reserves	20,000	20,000	20,000	10,000	10,000
Regulatory <sup>6</sup>	0	6,000	0	0	0
Contingency	0	0	4,500	4,500	4,500
<b>Total expenses sewer</b>	<b>86,260</b>	<b>72,715</b>	<b>71,885</b>	<b>59,016</b>	<b>59,650</b>
Connection revenue	1,000	1,000	1,000	1,000	1,000
Amortization of capital grants-sewer			11,785	7,271	12,252
Taxation Revenue	25,304	25,304	5,304	5,304	0
Other Revenue		200	200	200	200
<b>Total non-rate revenue sewer</b>	<b>26,304</b>	<b>26,504</b>	<b>18,289</b>	<b>13,775</b>	<b>13,452</b>
<b>Net rate revenue sewer</b>	<b>59,956</b>	<b>46,211</b>	<b>53,596</b>	<b>45,241</b>	<b>46,198</b>
<b>Net revenue/(expenses)</b>	<b>65,753</b>	<b>52,080</b>	<b>59,902</b>	<b>51,541</b>	<b>52,498</b>

Notes:

1 – For 2017 and 2018 Administration includes billing and utility expenses (telephone, electricity, etc.). After the Board's review the Utility Expenses in 2014, 2015, 2016 were 3,001, 3,169 and 3,606 respectively were included in the revenue projections.

2 – Line flushing, cleaning, repairs in 2014 was reported under Sewage Collection System.

3 – Repairs required in 2014 due to flash flooding and required expenses to pump excess fluids from the lift station.

4 – Increase in costs due to amortization costs recorded here, due to discrepancies with categories because of the way the RM recorded the expenses at the time. This is now being addressed and will be recorded differently.

5 – Connection loss of revenue if more than 2 connections made (which is the average projected).

6 – Fee charged by consultant for rate study.

## Debentures

As stated in the rate application, the Utility has a current debenture with annual payments including interest and principal of \$5,304.35. The debenture expired at the end of 2017. The RM states there are no new debentures on a forecast basis. Therefore, the amount of amortization expense collected in rates will continue, however there will no longer be a requirement for the repayment of the principal amount of the debenture.

## Utility Reserve

Previously, including 2015, the RM built the Utility reserve fund by means of a tax levy over LID 1 and 2 at 1.29 Mills. This allowed the reserve to grow annually by approximately \$20,000. The reserve balance for year ended December 31, 2015 is \$139,690.

In Order No. 69/15 dated July 17, 2015, the Board required the RM to discontinue the practice of building reserves through taxes and instead to build it through rates.

Accordingly, \$10,000 (reduced from \$20,000) has been included in the revenue requirements for the Utility going forward, to be collected from rates. The RM believes that represents the future needs of the Utility.

## Contingency

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

An annual contingency allowance of \$4,500 has been included in the revenue requirements. This is below the recommended yearly allowance of 10%; however, the Utility is building the reserve.



## 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 audited statements available, working capital surplus for the Utility at December 31 was:

	2015	2014
Accumulated Fund Surplus/Deficit	\$ 203,490	\$225,996
Deduct Tangible Capital Assets	\$ 182,196	\$194,448
Add Long-Term Debt	\$ 9,657	\$ 14,048
Add Utility Reserves	\$ 139,690	\$119,116
<b>Equals Working Capital Surplus</b>	<b>\$ 170,641</b>	<b>\$164,712</b>
last year's operating costs	\$ 54,108	\$ 77,110
<b>20% of last years operating costs</b>	<b>\$ 10,822</b>	<b>\$ 15,422</b>

## Cost Allocation Methodology

The RM advised that it has had a long-standing practice of allocating a cost of \$3,000 to the Utility for administration costs. While the Board notes this, it will also remind the RM that any changes to this allocation of costs require Board approval.

## 4.0 Board Findings

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. The Board decided to process this application with a paper-based review.

The Board has reviewed the application and projections presented by the RM in their rate study and application and the information provided subsequently in response to Board queries. After reviewing, the Board had to make an adjustment to the administration costs to include the Utility's costs as presented in the audited financials.

The Board finds that the revenue projections provided are acceptable and will approve the rates as requested, effective January 1, 2018.

Board Order No. 69/15 required the RM to discontinue the practice of collecting wastewater utility reserve funds through taxes and include a provision for reserves in their application for revised rates. Accordingly, the RM has included \$10,000 in the rate requirements to build the reserve fund through rates. Rates have remained unchanged since 1999.

Rates for the Lundar Wastewater Utility have remained unchanged since 1999. As a result, the rate increases requested in this application are significant. The Board is sensitive to customer reaction to the magnitude of the rate increases, however, must consider the sustainability of the Utility when approving rates. Consumers are generally more tolerant of regular, smaller increases. The RM should be applying to the Board for rates on a more regular basis, so that required rate increases are more incremental and to maintain the Utility's sustainability .

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](http://www.pubmanitoba.ca).

**5.0 IT IS THEREFORE ORDERED THAT:**

- 1) Revised wastewater rates for the Rural Municipality of Coldwell, Lundar Wastewater Utility BE AND ARE HEREBY APPROVED in accordance with the attached Schedule "A", effective January 1, 2018 rates.
- 2) The Rural Municipality of Coldwell submit a copy of its wastewater rate By-law to the Public Utilities Board once it has received third and final reading.
- 3) The Rural Municipality of Coldwell 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, 2019.

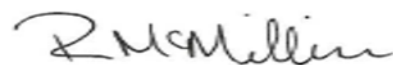
Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

"MARILYN KAPITANY, B.Sc. (Hons), M.Sc."  
Acting Chair

"RACHEL MCMILLIN, BSc."  
Acting Secretary

Certified a true copy of Order No. 24/18 issue  
by The Public Utilities Board



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Acting Secretary

**SCHEDULE "A"**THE RM OF COLDWELL – SEWER RATES  
BY-LAW NO. 01/16

## SCHEDULE OF HALF-YEARLY RATES:

## 1. Sewer Customers

Customer	Resident Equivalent Unit	Customer Services Charges	Year	Commodity Charges	Total Half- yearly Charge
Single	1	11.55	2017	60.65	72.20
			2018	61.90	73.45
le. Community Hall, Legion	1.5	11.55	2017	90.98	102.53
			2018	92.85	104.40
le. Minnie's/Carwash, General store	2	11.55	2017	121.30	132.85
			2018	123.80	135.35
le. Laundromat Garage( 2 bays)	3	11.55	2017	181.95	193.50
			2018	185.70	197.25
le.,Chicken Chef	4	11.55	2017	242.60	254.15
			2018	247.60	259.15
le. Seniors home 2	5	11.55	2017	303.25	314.80
			2018	309.50	321.05
le. Arena	10	11.55	2017	606.50	618.05
			2018	619.00	630.55
le. School Seniors 1	18	11.55	2017	1091.70	1103.25
			2018	1114.20	1125.75

le. Personal Care Home	20	11.55	2017	1213.00	1224.55
			2018	1238.00	1249.55
le. Lundar Hotel	24	11.55	2017	1455.60	1467.15
			2018	1485.60	1497.15

## 2. More than one customer in one building

If more than one single family residence, commercial, or residence and commercial customer are located in one building and connected to the sewage system, then each such customer shall pay the rate shown in clause 1 thereof.

## 3. Service to customers outside LUD

The Council of the RM of Coldwell may sign agreements with customers for the provision of sewer services to properties located outside the legal boundaries of the LUD. 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. Billings & Penalties

Accounts shall be billed half-yearly (being May 1<sup>st</sup> and November 1<sup>st</sup> ) and shall be due and payable on the last day of the month (being May 31<sup>st</sup> and November 30<sup>th</sup>). A late payment charge of 1¼ %/month shall be charged on the dollar amount owing after the billing due date.

## 5. 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.

## 6. 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.