

Order No. 38/18

**RURAL MUNICIPALITY OF ELLICE-ARCHIE
ST. LAZARE WATER AND WASTEWATER UTILITY
FINAL WATER AND WASTEWATER RATES
2015 and 2016 OPERATING DEFICIT RECOVERY**

March 12, 2018

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

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1.0 Summary

By this Order, the Public Utilities Board (Board) approves as final the water and wastewater rates as applied for by the Rural Municipality of Ellice-Archie (RM) – St. Lazare Water and Wastewater Utility (Utility). These rates were previously established on an interim *ex parte* basis by Board Order No. 18/17.

The Board also approves the 2015 operating deficit of \$17,297 and the 2016 operating deficit of \$20,353 to be recovered through a transfer from the Utility accumulated surplus.

The approved rates are as follows:

	Previous By-law (02-04)	By-law 06-2016 July 1, 2017	By-law 06-2016 Jan. 1, 2018	By-law 06-2016 Jan. 1, 2019
Water Charge per REU	\$ 37.88			
Water \$/cubic meter**	REU	\$ 1.91	\$ 2.65	\$ 3.69
Wastewater \$/cubic meter**	REU	\$ 0.88	\$ 0.91	\$ 0.94
Quarterly Service Charge	\$ 7.00	\$ 7.21	\$ 7.43	\$ 7.68
Minimum Quarterly - Water and Wastewater*	REU	\$ 46.27	\$ 57.27	\$ 72.50
Minimum Quarterly - Water only*	REU	\$ 33.95	\$ 44.53	\$ 59.34
Bulk Water Fee \$/1,000 gallons	\$ 5.00	\$ 10.00	\$ 13.00	\$ 18.00
Reconnection Fee	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
Hydrant Rental (Annual)	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00
*Based on 14 cubic meters				
**Previously charged by 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 RM owns and operates the St. Lazare Water and Wastewater utility. Of the total number of customers, 117 are water and wastewater customers and the remaining 5 are water only customers. The major customer type is the single family residential home, primarily being serviced by 5/8 inch (15mm) water meters.

Utility rates were previously charged on a residential equivalency unit (REU) basis. Water meters were installed in 2015 making it possible for the RM to charge based on actual consumption.

Water Supply/Distribution

The water system consists of three raw water reservoirs, an intake system, a water treatment plant (WTP) and a distribution system with 122 connections. Water is collected from a natural sand aquifer and surface run off. The water is disinfected with sodium hypochlorite prior to entering the gravity distribution system. The system was built in 1960 and the WTP was built in 2011.

The 2015 Annual WTP Review had identified several areas where the WTP was non compliance to the standards. The majority of non compliance was due to the UV lights not performing correctly, however the RM states that these have since been rectified.

Wastewater- Collection/Treatment

The RM is in the process of becoming compliant with the lagoon's environmental licence. The RM has partnered with the Manitoba Water Services Board (MWSB) and hired a consultant to complete a feasibility study. As per the rate study, no discharges have been made from the lagoon.

Unaccounted for Water

Information on unaccounted for water is not available as customer meters have only recently been installed.

The acceptable percentage of unaccounted water is 10%. If the percentage is above this the applicant is to explain why and the plan to remedy.

3.0 Application

On January 9, 2017, the RM applied for revised water and wastewater rates, to be effective January 1, 2017 as set out in By-law No. 06-2016 having had first reading on November 8, 2016. The application was supported by a rate study prepared by the RM's consultant. Rates were last reviewed in 2004 in Board Order No. 75/04.

On January 16, 2017, the RM requested interim *ex parte* rates, effective January 1, 2017. On February 8, 2017, the Board approved the interim rate request to allow for billing based on consumptions. The interim rates were effective July 1, 2017, January 1, 2018 and 2019.

A Public Notice of Application was issued on June 23, 2017 affording customers the opportunity to comment to both the Board and RM with respect to the proposed rate increases. No responses were received.

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 considers the application and stakeholder responses, and determines 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. While a paper review process, 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.

The rates were calculated based on the following revenue projections:

	2013 Audited	2014 Audited	Actual 2015	Actual 2016	Forecast		
					2017	2018	2019
General							
<i>Expenses</i>							
Administration	\$ 1,278	\$ 1,457	\$ 681	\$ 650	\$ 4,177	\$ 4,260	\$ 4,346
Billing and collection	\$ 2,400	\$ 2,400	\$ 2,400	\$ -	\$ -	\$ -	\$ -
Total general expenses	\$ 3,678	\$ 3,857	\$ 3,081	\$ 650	\$ 4,177	\$ 4,260	\$ 4,346
<i>Revenue</i>							
Penalties	\$ 340	\$ 305	\$ 564	\$ 600	\$ 600	\$ 600	\$ 600
Investment Income	\$ 274	\$ 160	\$ -	\$ -	\$ -	\$ -	\$ -
Other Income	\$ 342	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total general revenues	\$ 956	\$ 465	\$ 564	\$ 600	\$ 600	\$ 600	\$ 600
Net Costs General	\$ 2,722	\$ 3,392	\$ 2,517	\$ 50	\$ 3,577	\$ 3,660	\$ 3,746
Water							
<i>Expenses</i>							
Purification and treatment	\$ 40,337	\$ 34,695	\$ 33,391	\$ 36,864	\$ 37,601	\$ 38,353	\$ 39,120
Transmission and distribution	\$ 7,360	\$ 24,861	\$ 8,411	\$ 10,500	\$ 10,710	\$ 10,924	\$ 11,143
Amortization	\$ 22,071	\$ 22,088	\$ 22,088	\$ 22,088	\$ 26,246	\$ 26,246	\$ 26,246
Interest on long term debt	\$ 6,789	\$ 6,126	\$ 5,605	\$ 7,003	\$ 5,795	\$ 9,542	\$ 8,009
Total water expenses	\$ 76,557	\$ 87,770	\$ 69,495	\$ 76,455	\$ 80,352	\$ 85,065	\$ 84,518
<i>Revenue</i>							
Hydrant rentals	\$ 750	\$ 750	\$ 750	\$ 750	\$ 825	\$ 825	\$ 825
Total water revenue	\$ 750	\$ 750	\$ 750	\$ 750	\$ 825	\$ 825	\$ 825
Net rate costs - water	\$ 75,807	\$ 87,020	\$ 68,745	\$ 75,705	\$ 79,527	\$ 84,240	\$ 83,693
Wastewater							
<i>Expenses</i>							
Collection system costs	\$ 11,241	\$ 12,662	\$ 4,268	\$ 9,578	\$ 9,770	\$ 9,965	\$ 10,164
Lift station	\$ 244	\$ 168	\$ -	\$ -	\$ -	\$ -	\$ -
Total wastewater expenses	\$ 11,485	\$ 12,830	\$ 4,268	\$ 9,578	\$ 9,770	\$ 9,965	\$ 10,164
<i>Revenue</i>							
Total wastewater revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net rate costs - wastewater	\$ 11,485	\$ 12,830	\$ 4,268	\$ 9,578	\$ 9,770	\$ 9,965	\$ 10,164

An inflation rate of 2% was used in all calculations.

The RM has the following projects and funding sources as part of its 5 year capital plan:

	2015	2016	2017	2018	2019
Water meter installation	\$ 124,391				
Lagoon feasibility study for both St. Lazare and McAuley (Split 50% 60,000)		\$ 30,000			
Municipal wells			\$ 100,000		
	\$ 124,391	\$ 30,000	\$ 100,000	\$ -	\$ -
Capital Funding					
Debenture debt			\$ 100,000		
General reserve (borrowing to be repaid over 3 years)	\$ 38,960				
General Reserve		\$ 30,000			
Gas Tax - treated as Grant	\$ 37,500				
MWSB Grant	\$ 42,931				
Utility reserve	\$ 5,000				
	\$ 124,391	\$ 30,000	\$ 100,000	\$ -	\$ -

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 2016 audited financial statements, the most recent information available, the working capital surplus at December 31, 2016 was:

	2014	2015	2016
Accumulated Fund Surplus	\$822,426	\$960,348	\$944,577
Deduct Tangible Capital Assets	\$852,910	\$975,095	\$939,393
Add Long-Term Debt	\$150,214	\$130,653	\$110,100
Add Utility Reserves	\$16,521	\$11,555	\$11,555
Equals Working Capital Surplus	\$136,251	\$127,461	\$126,839
Operating expenses	\$104,457	\$74,992	\$102,327
20% of operating expenses (Target)	\$20,891	\$14,998	\$20,465

Actual 2015 and 2016 Operating 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 March 15, 2017, the RM applied for approval of the recovery of the 2015 operating deficit in the amount of \$17,297. On November 22, 2017, the RM also applied for approval of the recovery of the 2016 operating deficit in the amount of \$20,353. Both deficits are proposed to be recovered through a draw down from the Utility's accumulated surplus as per Council Resolution Nos. 64-17 and 244-17.

In the RM's stated in its deficit application that the Utility has been experiencing deficits since 2012 when the former Village of St. Lazare installed a new water treatment plant without a plan to adjust the flat utility rate being charged by By-law No. 02-04.

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.

Rural Municipality of Ellice-Archie – St. Lazare Utility Allocation Plan for Non-Direct Shared services		
Category/Sub-category	Options	
1.0 Administrative Staff	CAO and Assistant CAO; ½ day per month each; plus benefits	2.3%
1.1 Billing services –meter reading to receipting and collection.	Public works staff	Actual time spent
1.2 Accounting/ auditing/ including bylaw making and enforcement.		0
1.3 Common office space		0
1.4 Office overheads (telephone, photocopier, computer, etc)		\$1,000 per year
2.0 Operating, construction and maintenance costs		
2.1 Vehicle – fuel, maintenance, lease costs, capital costs		
2.2 Labour – full time, part time, on call, sick time, vacation, 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 (Note 3)	Based on actual costs	
3.0 Major projects		
Interest/ financing		Debenture Debt
Labour	Based on actual costs	
External costs	Direct charge (dedicated consulting)	

Note 1: Allocation must be updated periodically to reflect the 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 e.g. re-constructing a road and replacing services at the same time – a portion of the road work may be allocated to the utility.

Contingency Allowance and Utility Reserves

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

There is a contingency allowance of net rate costs less amortization expenses and interest costs included in the application. This equates to \$4,661 for water and \$958 for wastewater.

There is also a provision of an annual transfer to Utility Reserve of \$5,000 proposed in the application.

4.0 Board Findings

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

A public notice was issued on June 23, 2017 affording customers the opportunity to comment to both the Board and RM with respect to the proposed rate changes. There was no responses received from stakeholders.

The Board finds that the revenue estimates provided are acceptable and will confirm as final the water and wastewater rates for the St. Lazare Utility as previously approved on an interim *ex parte* basis in Board Order No. 18/17.

The Board will approve the recovery of the 2015 operating deficit of \$17,297 and 2016 operating deficit of \$20,353 through a transfer from the Utility accumulated surplus.

The Board will approve the revised Cost Allocation Methodology, and reminds the Town that this methodology must be used consistently, and requires Board approval should any further changes be considered.

The Board supports the principle of user-pay utility rates. It is only when rates are set on a user pay basis that they send the correct price signal to ratepayers and allow ratepayers to make decisions about their use of the services. The Board commends the RM for installing meters for its customers.

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 water and wastewater rates for the Rural Municipality of Ellice-Archie, St. Lazare Water and Wastewater Utility, as approved on interim basis in Board Order 18/17, BE AND ARE HEREBY CONFIRMED AS FINAL in accordance with the attached Schedule "A".
2. The Rural Municipality of Ellice-Archie 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.
3. The actual 2015 operating deficit of 17,297 and 2016 operating deficit of \$20,353, when calculated for regulatory purposes, incurred in the Rural Municipality of Ellice-Archie, St. Lazare Water and Wastewater Utility is HEREBY APPROVED to be recovered through a transfer from the Utility accumulated surplus.
4. The Rural Municipality of Ellice-Archie is to provide notice to its customers regarding the final rates in the quarterly billing with a copy provided to the Public Utilities Board.
5. The Rural Municipality of Ellice-Archie review the St. Lazare Utility's 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 June 30, 2020.

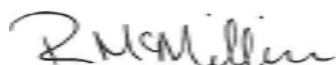
Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

“Shawn McCutcheon”
Panel Chair

“Rachel McMillin, B.Sc.”
Acting Secretary

Certified a true copy of Order No. 38/18 issued by
The Public Utilities Board



Acting Secretary

**RURAL MUNICIPALITY OF ELLICE ARCHIE
St. LAZARE UTILITY
WATER & SEWER UTILITY RATES BY-LAW NO.
SCHEDULE "A"
SCHEDULE OF QUARTERLY RATES**

1. Schedule of Commodity Rates &
Quarterly Service Charge

July 1, 2017

per Cubic Meter

	Water	Sewer	Water & Sewer
	\$1.91	\$.88	\$2.79
Quarterly Service Charge	\$7.21		

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

	Water Included	Quarterly Service Charge	Water Commodity Charge	Sewer Commodity Charge	Water & Sewer Quarterly Minimum Charge	Water Only Quarterly Minimum Charge
<u>Meter Size</u>	<u>C.M.</u>	<u>Charge</u>	<u>Charge</u>	<u>Charge</u>	<u>Minimum Charge</u>	<u>Minimum Charge</u>
5/8 inch	14	\$7.21	\$26.74	\$12.32	\$46.27	\$33.95
¾ inch	28	\$7.21	\$53.48	\$24.64	\$85.33	\$60.69
1 inch	56	\$7.21	\$106.96	\$49.28	\$163.45	\$114.17
1 ½ inch	140	\$7.21	\$267.40	\$123.20	\$397.81	\$274.61
2 inch	350	\$7.21	\$668.50	\$308.00	\$983.71	\$675.71

b. Bulk Water Sales

All water sold in bulk will be charged at the rate of \$10.00 per 1,000 gallons.

1. Schedule of Commodity Rates &
Quarterly Service Charge

January 1, 2018

per Cubic Meter

	Water	Sewer	Water & Sewer
	\$2.65	\$.91	\$3.56
Quarterly Service Charge	\$7.43		

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	Water Included C.M.	Quarterly Service Charge	Water Commodity Charge	Sewer Commodity Charge	Water & Sewer Quarterly Minimum Charge	Water Only Quarterly Minimum Charge
5/8 inch	14	\$7.43	\$37.10	\$12.74	\$57.27	\$44.53
¾ inch	28	\$7.43	\$74.20	\$25.48	\$107.11	\$81.63
1 inch	56	\$7.43	\$148.40	\$50.96	\$206.79	\$155.83
1 ½ inch	140	\$7.43	\$371.00	\$127.40	\$505.83	\$378.43
2 inch	350	\$7.43	\$927.50	\$318.50	\$1,253.43	\$934.93

b. **Bulk Water Sales**

All water sold in bulk will be charged at the rate of \$13.00 per 1,000 gallons.

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2019

per Cubic Meter

Water	Sewer	Water & Sewer
\$3.69	\$0.94	\$4.63
Quarterly Service Charge		\$7.68

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	Water Included C.M.	Quarterly Service Charge	Water Commodity Charge	Sewer Commodity Charge	Water & Sewer Quarterly Minimum Charge	Water Only Quarterly Minimum Charge
5/8 inch	14	\$7.68	\$51.66	\$13.16	\$72.50	\$59.34
¾ inch	28	\$7.68	\$103.32	\$26.32	\$137.32	\$111.00
1 inch	56	\$7.68	\$206.64	\$52.64	\$266.96	\$214.32
1 ½ inch	140	\$7.68	\$516.60	\$131.60	\$655.88	\$524.28
2 inch	350	\$7.68	\$1,291.50	\$329.00	\$1,628.18	\$1,299.18

b. Bulk Water Sales

All water sold in bulk will be charged at the rate of \$18.00 per 1,000 gallons.

The Following Clauses take effect July 1, 2017

5. Hydrant rentals: The Municipality will pay to the Utility an annual rental of \$75.00 for each hydrant connected to the system.

6. Billing and Penalties: Accounts shall be billed quarterly, and shall be due and payable 30 days after date of billing. A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date.

7a Disconnection: The Public Utilities Board has approved the Conditions Precedent to be followed by the Village 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 municipal office.

7b Reconnection: Any Service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$25.00 has been paid.

8. 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 land are collectible, and with like remedies.