

Order No. 11/19

**MUNICIPALITY OF BIFROST-RIVERTON
RIVERTON WASTEWATER UTILITY
REVISED RATES FOR APRIL 1, 2019 AND JANUARY 1, 2020
ACTUAL OPERATING DEFICIT RECOVERY FOR 2014 AND 2015**

January 21, 2019

**BEFORE: Carol Hainsworth, C.B.A., Panel Chair
Irene A. Hamilton, Panel Member**

Table of Contents

1.0	Executive Summary.....	3
2.0	Background	3
	Wastewater Collection/Treatment.....	4
3.0	Application.....	4
	Working Capital Surplus/Deficit	6
	Operating Deficits	6
	Cost Allocation Methodology	7
4.0	Board Findings	8
5.0	IT IS HEREBY ORDERED THAT:.....	10
	SCHEDULE A	12

1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves the revised wastewater rates for the Municipality of Bifrost-Riverton (Municipality), Riverton Wastewater Utility (Utility) effective April 1, 2019 and January 1, 2020.

The approved rates are as follows:

	Current By- Law 6-90	April 1 2019	January 1 2020
Quarterly Service Charge	\$ 1.80	\$ 3.38	\$ 4.18
Quarterly Wastewater Charge*	\$ 13.20	\$ 27.98	\$ 35.37
Minimum Quarterly Charge	\$ 15.00	\$ 31.36	\$ 39.55

**Per 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 the heading Board Findings below.

2.0 Background

The Municipality owns and operates a wastewater utility serving 255 customers (or 372 REUs) as of 2017 and all calculations assume this number to remain static for future years. Wastewater lines were last installed in approximately 1970.

The utility has no water meters; therefore, Residential Equivalency Units (REUs) is the only way of charging for the service. Where a system or residence has no meters, volume of water used and/or volume of effluent returned to the wastewater system is based on REU's; one unit being the volume of wastewater estimated to be produced by the average single family residence. Utility bills are sent quarterly, separate from property tax bills and all customers are within the Municipality boundaries.

The Utility (previously owned by the Village of Riverton) last revised rates in 1991 through Board Order No. 171/90. The Utility has reviewed the existing REU schedule and it remains accurate.

Wastewater Collection/Treatment

The Riverton Lagoon consists of three cells and three lift stations. The third lagoon cell was constructed in 2011. The Municipality advises there are no capacity issues associated with the existing lagoon.

3.0 Application

On May 16, 2017, the Municipality applied for revised wastewater rates, to be effective July 1, 2018, January 1, 2019, and January 1, 2020, as set out in By-Law No. 17-2017 having had first reading May 10, 2017. The application was supported by a rate study prepared by the Municipality's consultant.

A Public Notice of Application was issued on September 5, 2017 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the Municipality on or before October 5, 2017. No expression of concern was received from consumers.

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. Whenever reasonable, the Board can review the application using a paper review process, which saves 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 annual inflation rate of 2% in all calculations:

Schedule of Utility Rate Requirements – Riverton Wastewater Utility (for Public Utilities’ Use 2017 to 2020 Budget Forecasts (\$))

	2017	2018	2019	2020
	Forecast			
General Expenses				
Administration	4,303	4,389	4,477	4,567
Total General Expenses	4,303	4,389	4,477	4,567
Revenue				
Penalties	300	300	300	300
Total General Revenues	300	300	300	300
Net Costs General	4,303	4,089	4,177	4,267
Wastewater Expenses				
Collection System	20,400	20,808	21,224	21,649
Treatment and Disposal	7,000	7,140	7,283	7,428
Lift Station	4,080	4,162	4,245	4,330
Amortization	40,893	40,893	40,893	40,893
Interest on Long-Term Debt	6,866	6,357	5,828	5,277
Total Water Expenses	79,239	79,360	79,473	79,577
Revenue				
Total Wastewater Revenue	-	-	-	-
Net Costs – Wastewater	79,239	79,360	79,473	79,577
Wastewater Billing Revenues				
Wastewater Billings	20,700	27,379	45,082	56,894
Property Taxes				
Transfer From General Operating	19,594	19,594	19,594	19,594
Capital Grants				
Amortization of Water Capital Grants	10,687	10,687	10,687	10,687
Net Operating Surplus/(Deficit)	(32,261)	(25,789)	(8,287)	3,332
Reverse PUB Adjustments to Adjust to Public Sector Accounting Board				
Deduct Amortization of Capital Grants	(10,687)	(10,687)	(10,687)	(10,687)
Fund Surplus – Beginning of Year	843,305	800,357	763,881	744,907
Fund Surplus – End of Year	800,357	763,881	744,907	737,551

The proposed utility rate increases are primarily required to provide funding to eliminate operating deficits and to provide for anticipated wastewater treatment costs related to the new nutrient removal requirements instituted by the Province of Manitoba.

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/deficit 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:

Utility Fund Surplus/(Deficit)	\$858,203
Deduct: Tangible Capital Assets	(952,091)
Add: Long-Term Debt	171,659
Add: Utility Reserves	39,316
Equals Working Capital Surplus/(Deficit)	\$344,631
Operating Expenses	72,341
20% of Operating Expenses (Target)	\$14,468

The Utility currently meets the Board's minimum working capital surplus of 20% and is forecasted to meet this requirement up to and including 2020.

Operating Deficits

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 September 5, 2018, the Municipality applied for approval of the recovery of actual operating deficits of \$15,238 in 2014 and \$22,509 in 2015 (or a total 2-year deficit of \$37,747) from the Utility’s accumulated surplus. The Municipality advises that the deficits are due to increased expenses and that utility rates have not been revised since 1991. The recovery of both deficits have been approved by the Municipality in Council Resolution #19 dated July 12, 2017.

The Board notes, as per the 2016 Audited Financial Statements, the Utility has also incurred an actual operating deficit of \$20,913 in 2016 and the following deficits prior to the Municipality’s amalgamation with the Town: 2013 (\$18,311); 2012 (\$10,205); 2011 (\$7,982); and 2010 (\$14,135). To date, the Municipality has not applied for approval to recover these deficits.

The Municipality has not filed its 2017 Audited Financial Statements and given the consecutive actual operating deficits incurred from 2010 through to 2016, it is likely that actual operating deficits have been incurred in both 2017 and 2018.

The Municipality of Bifrost-Riverton Utility’s working capital position is forecasted to be in a surplus position up to and including 2020 and is sufficient to provide for the recovery of the applied for 2014 and 2015 actual operating deficits, and all outstanding actual operating deficits.

Cost Allocation Methodology

The Customer Service Charge for administration costs increases by \$0.79 per quarter on July 1, 2018, by \$0.79 per quarter in 2019 and by \$0.80 per quarter in 2020. The Utility’s Shared Cost Allocation Plan for non-direct shared services is as follows:

Municipality of Bifrost-Riverton – Riverton Wastewater Utility Allocation Plan for Non-Direct Shared Services (see Note 1) as at May, 2017		
Category	Sub-category	Options
1.0 Administrative Staff	Administrative office	1% of salary and benefits, office costs, legal, and audit costs

	1.1 Billing services –meter reading to receipting and collection.		1% of office salaries
	1.2 Accounting/ auditing/ including bylaw making and enforcement.		1% of audit costs
	1.3 Common office space		1% of office space costs
	1.4 Office overheads (telephone, photocopier, computer, etc.)		1% of total costs
2.0 Operating, construction and maintenance costs			
	2.1 Vehicle – fuel, maintenance, lease costs, capital costs		Vehicle costs are minimal and therefore nothing is charged to the Utility
	2.2 Labor – full time, part time, on call, sick time, vacation (see Note 2)		The utility operator is on a time sheet and actual costs are charged to the Utility
	2.3 Public works building and property.		-
	2.4 Road repairs and alike (see Note 3)	Based on actual costs	-
3.0 Major projects			
	Interest/ financing		Debenture Debt & Manitoba Water Services Board carrying debt for Utility also
	Labor	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.)

4.0 Board Findings

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

The Board approves the revised shared cost allocation methodology and reminds the Municipality that this methodology must be used consistently. Any changes to the new, revised cost allocation methodology require Board approval.

It has been approximately 28 years since the Municipality has submitted a rate application to the Board. This is too long a time-period between rate reviews. Regular rate reviews submitted on a timelier three-year period, as per the Board's Guidelines, protect the financial position of the Utility, mitigates the need for substantial rate increases and deficit recovery. Had the Utility not had an adequate surplus account, these deficits would have to be collected from the ratepayers through a rate rider. The Municipality needs to be more diligent in conducting regular reviews of its rates and corresponding revenue requirements.

The Board requires the Municipality to review its wastewater rates for the Utility for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates (if required) on or before December 31, 2020. The Board reminds the Municipality that regular reviews of utility rates are required to ensure rates are adequate to recover the costs of the service being provided to its customers.

The Board notes the Utility has not filed a deficit application for actual operating deficits for the years 2010 up to and including 2013 and 2016, totalling \$71,546 per the Municipality's Audited Financial Statements. By law, Manitoba utilities are not allowed to incur deficits. The Board reminds the Utility if it incurs a deficit, it is required by law to file a deficit application and approval for recovery plan with the Board as soon as it is known.

The Board directs the Municipality to file a deficit application and recovery plan for all above-noted outstanding deficits and for 2017 (if required) as soon as possible.

The Board has not received the Municipality's 2017 audited financial statements and reminds the Municipality that audited financial statements are to be reported to the Board by no later than June 30 of the following year.

The Board reminds the Municipality that transfers are to be recorded in the appropriate line of Schedule 9 of the audited financial statements. This ensures operating surpluses/deficits are easily discernable and correctly reported to the Board (and to the public). The Board recommends the Municipality consult with its auditor to correct this error in future years' statements. Please refer to Board Order No. 151/08 for additional information.

5.0 IT IS HEREBY ORDERED THAT:

1. The revised water rates for the Municipality of Bifrost-Riverton, Riverton Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule "A", effective April 1, 2019 and January 1, 2020.
2. The cost allocation methodology for shared services as submitted by the Municipality of Bifrost-Riverton BE AND IS HEREBY APPROVED.
3. The actual operating deficits, when calculated for regulatory purposes, of \$15,238 in 2014 and \$22,509 in 2015 incurred in the Municipality of Bifrost-Riverton, Riverton Wastewater Utility, are HEREBY APPROVED to be recovered through the Utility's Accumulate Surplus account, effective the date of this Order.
4. The Municipality of Bifrost-Riverton 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.
5. The Municipality of Bifrost-Riverton amend its 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.
6. The Municipality of Bifrost-Riverton 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 December 31, 2020.

7. The Municipality of Bifrost-Riverton file a deficit application and recovery methodology for the years: 2010; 2011; 2012; 2013; and 2016, by no later than March 31, 2019.
8. The Municipality of Bifrost-Riverton submit its 2017 audited financial statements, with a deficit application if required, as soon as possible.

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.


Fees payable upon this Order - \$650.00

THE PUBLIC UTILITIES BOARD

"Carol Hainsworth, C.B.A."
Panel Chair

"Frederick Mykytyshyn"
Assistant Associate Secretary

Certified a true copy of Order No. 11/19
issued by The Public Utilities Board


Frederick Mykytyshyn
Assistant Associate Secretary

SCHEDULE A

**MUNICIPALITY OF BIFROST-RIVERTON
RIVERTON WASTEWATER UTILITY
WASTEWATER UTILITY RATES BY-LAW NO. 17-2017
SCHEDULE OF QUARTERLY RATES**

April 1, 2019 through to December 31, 2019

1. Customer Service Charge

The quarterly customer service charge shall be: \$3.38

2. Commodity Rates

The commodity rate for all wastewater usage shall be based on one REU and pro-rated in accordance with the Schedule of Minimum Quarterly Charges as detailed in Clause 3 hereafter. The quarterly wastewater usage rate for one REU shall be: \$27.98

3. Schedule of Minimum Quarterly Charges

<u>Customer</u>	<u>Residential Equivalency Units</u>	<u>Customer Wastewater Service Charge</u>	<u>Commodity Charge</u>	<u>Total Quarterly Charge</u>
Arena	2.5	\$3.38	\$69.95	\$73.33
Churches	1	\$3.38	\$27.98	\$31.36
Garages (no wash rack)	1	\$3.38	\$27.98	\$31.36
Garages (one wash rack)	2	\$3.38	\$55.96	\$59.34
Garages (/wash rack after first)	2	\$3.38	\$55.96	\$59.34
Government offices	2	\$3.38	\$55.96	\$59.34
Halls	2.5	\$3.38	\$69.95	\$73.33
Hotel	16	\$3.38	\$447.68	\$451.06
Laundromat	2	\$3.38	\$55.96	\$59.34
Medical clinic	2	\$3.38	\$55.96	\$59.34
Motel	5	\$3.38	\$139.90	\$143.28
Motor Inn	11	\$3.38	\$307.78	\$311.16
Offices	1	\$3.38	\$27.98	\$31.36
Residential (single family dwelling)	1	\$3.38	\$27.98	\$31.36
Residential (multi-family /dwelling unit)	1	\$3.38	\$27.98	\$31.36
Restaurant/Café (/20 seats rounded up)	1	\$3.38	\$27.98	\$31.36
Retail/Commercial (no public washroom)	1	\$3.38	\$27.98	\$31.36
Retail/Commercial (w/ public washroom)	2	\$3.38	\$55.96	\$59.34
Rink	2.5	\$3.38	\$69.95	\$73.33
School	19	\$3.38	\$531.62	\$535.00
Senior Citizens Home (per room)	1	\$3.38	\$27.98	\$31.36

January 1, 2020 through to December 31, 2020 and thereafter

1. Customer Service Charge

The quarterly customer service charge shall be: \$4.18

2. Commodity Rates

The commodity rate for all wastewater usage shall be based on one residential equivalency unit and pro-rated in accordance with the Schedule of Minimum Quarterly Charges as detailed in Clause 3 hereafter. The quarterly wastewater usage rate for one residential equivalent unit shall be: \$35.37

3. Schedule of Minimum Quarterly Charges

<u>Customer</u>	<u>Residential Equivalency Units</u>	<u>Customer Service Charge</u>	<u>Wastewater Commodity Charge</u>	<u>Total Quarterly Charge</u>
Arena	2.5	\$4.18	\$88.43	\$92.61
Churches	1	\$4.18	\$35.37	\$39.55
Garages (no wash rack)	1	\$4.18	\$35.37	\$39.55
Garages (one wash rack)	2	\$4.18	\$70.74	\$74.92
Garages (/wash rack after first)	2	\$4.18	\$70.74	\$74.92
Government offices	2	\$4.18	\$70.74	\$74.92
Halls	2.5	\$4.18	\$88.43	\$92.61
Hotel	16	\$4.18	\$565.92	\$570.10
Laundromat	2	\$4.18	\$70.74	\$74.92
Medical clinic	2	\$4.18	\$70.74	\$74.92
Motel	5	\$4.18	\$176.85	\$181.03
Motor Inn	11	\$4.18	\$389.07	\$393.25
Offices	1	\$4.18	\$35.37	\$39.55
Residential (single family dwelling)	1	\$4.18	\$35.37	\$39.55
Residential (multi-family /dwelling unit)	1	\$4.18	\$35.37	\$39.55
Restaurant/Café (/20 seats rounded up)	1	\$4.18	\$35.37	\$39.55
Retail/Commercial (no public washroom)	1	\$4.18	\$35.37	\$39.55
Retail/Commercial(w/public washroom)	2	\$4.18	\$70.74	\$74.92
Rink	2.5	\$4.18	\$88.43	\$92.61
School	19	\$4.18	\$672.03	\$676.21
Senior Citizens Home (per room)	1	\$4.18	\$35.37	\$39.55

The Following Clauses Take Effect April 1, 2019:

4. Separate Charge for Each Business

That should one or more businesses be carried on in a building, then a separate charge will be made for each such business.

5. Quarterly Billing

Accounts shall be billed quarterly in advance.

A late payment charge of 1.25% compounded monthly shall be charged on the dollar amount owing after the billing due date. The due date will be at least 20 days after the mailing of the bills.

6. Service To Customers Outside Riverton Limits

The Council of Municipality of Bifrost-Riverton may sign Agreements with customers for the provision of wastewater services to properties located outside the boundaries of the Riverton sewage utility. 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 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 Riverton sewer utility boundaries. In addition, all costs of connecting to the Utility's mains, and installing and maintaining service connections, will be paid by the customer.

7. Disconnection

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 offices.

8. Outstanding Bills

Pursuant to Section 252(2) of *The Municipal Act*, the amount of all outstanding charges for wastewater services 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.