

**Order No. 121/19**

**RURAL MUNICIPALITY OF VICTORIA BEACH  
VICTORIA BEACH WATER UTILITY  
REVISED RATES FOR SEPTEMBER 1, 2019, JANUARY 1, 2020,  
AND JANUARY 1, 2021 AND 2018 ACTUAL OPERATING DEFICIT RECOVERY**

**August 23, 2019**

**BEFORE: Shawn McCutcheon, Panel Chair  
Irene Hamilton, Q.C., Panel Member  
Marilyn Kapitany, B. Sc.(Hon), M. Sc., Panel Member**

## Table of Contents

1.0	Executive Summary .....	3
2.0	Background .....	3
	Water Supply/Distribution .....	4
	Unaccounted for Water .....	4
3.0	Application .....	4
	Working Capital Calculation.....	8
	Cost Allocation Methodology .....	8
	Contingency Allowance and Utility Reserves.....	10
	Deficits.....	10
4.0	Public Hearing .....	11
5.0	Public Sector Accounting Board Standards and Amortization .....	14
6.0	Board Findings.....	15
7.0	IT IS THEREFORE ORDERED THAT:.....	19
	SCHEDULE A TO BY-LAW NO. 1575.....	21

## 1.0 Executive Summary

By this Order, the Public Utilities Board (Board) varies the revised water rates for the Rural Municipality of Victoria Beach (RM), Victoria Beach Water Utility (Utility) as shown below.

	Previous By-Law 1540	September 1, 2019	January 1, 2020	January 1, 2021
Annual Service Charge	\$ 15.00	\$ 27.50	\$ 33.75	\$ 40.00
Water per Residential Equivalency Unit (REU)	\$ 120.00	\$ 185.00	\$ 217.50	\$ 250.00
Annual Charge*	\$ 135.00	\$ 212.50	\$ 251.25	\$ 290.00
Vacant Lots and Non-Connected Customers - Annually	\$ 30.00	\$ 44.00	\$ 51.00	\$ 58.00
Water Lines Relocated	\$ 20.00	\$ 50.00	\$ 50.00	\$ 50.00

\*Based on 1 REU

The Board varies the 2018 Actual Operating Deficit applied for by the RM from \$87,728 to \$254,396 to be recovered from the Utility's Accumulated Surplus Fund, effective the date of this Order.

Details of other rates may be found in the attached Schedule A.

Reasons for the Board's decisions may be found under the heading Board Findings below.

## 2.0 Background

The RM owns and operates a water utility serving 1,035 unmetered customers. Its service area includes an additional 166 non-connected properties.

On January 12, 2016, Board Order No. 5/16 approved an actual operating deficit of \$34,206 for 2012, to be recovered from the Utility's accumulated surplus.

## **Water Supply/Distribution**

The RM constructed a new water treatment plant in 2008. This included a new lake intake, building, reservoir, package water treatment plant, pumps, and miscellaneous equipment required for the operation of the water treatment plant.

Lake water is gravity-fed to a wet well via screened, high density polyethylene pipe. Raw water is then pumped from the wet well to the water treatment plant. There are two submersible raw water pumps installed in the well, outside the facility. The Utility provides treated water to customers annually from mid-May until Thanksgiving.

## **Unaccounted for Water**

The acceptable percentage of unaccounted water is 10%, based on industry standards. If the percentage is above this amount, the applicant is to explain why and provide a plan to remedy.

Water usage is not metered and therefore the amount of unaccounted for water is not available.

## **3.0 Application**

On November 13, 2018, the RM applied for revised rates as set out in By-Law 1540 having had first reading November 6, 2018. The application was supported by a rate study prepared by the RM's consultant. Rates were last approved in 2012 in Board Order No. 124/12 and amended by Board Order No. 143/12, effective for 2012, 2013, and 2014.

A Public Notice of Application was issued on November 29, 2018 to allow for any questions or comments respecting to the Rate Application to be submitted to the Board and/or the RM on or before December 29, 2018. The Board received eight responses from individuals and one response on behalf of the Victoria Beach Cottage Owners Association which noted it represents and is on behalf of approximately 300 cottage owners in the area.

The concerns expressed are related to:

- The RM's proposed rate increase is too large and the Board should consider a smaller increase;
- The RM does not have sufficient rationale to support the magnitude of the RM's requested rate increases (including a lack of Audited Financial Statements);
- Frequent water service disruptions to ratepayers and the impact these disruptions have on the RM's requested rate increases;
- Mismanagement of the Utility; and
- Subsequent to the issuance of the Notice of Public Hearing, one additional response was received.

When reviewing an application the Board can either: hold a public hearing at which the applicant can present its case and customers can present their concerns; or where it is deemed to be in the best interests of a utility and its customers, the Board can review the application using a paper review process without holding a public hearing. If a public hearing is not held when making its decision, the Board proceeds with a detailed paper review process which includes consideration of all comments and concerns received and may include additional information requests to the utility's application.

In this case, the Board elected to hold a public hearing, given the significant public response. A Notice of Public Hearing was issued on May 3, 2019 and a public hearing was held on July 13, 2019 at the East Beaches Senior Scene.

Prior to the Hearing, the Board sent information requests to the RM on February 27, 2019 and April 5, 2019 requesting additional information and clarification regarding the RM's Rate Study. The RM responded to the information requests on March 5, 2019 and April 11, 2019 respectively.

The rates were calculated based on the following projections using an inflation rate of 2% in all calculations:

<b>Schedule of Utility Rate Requirements – Victoria Beach Water Utility</b>						
<b>2019 to 2022 Budget Forecasts (\$)</b>						
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>Actuals</b>	<b>Unaudited</b>	<b>Forecast</b>			
<b>General Expenses</b>						
Administration	16,773	17,108	24,395	24,883	25,381	25,888
Training	9,888	10,000	5,000	5,100	5,202	5,306
Property Insurance	10,290	10,496	10,706	10,920	11,138	11,361
<b>Total General Expenses</b>	<b>36,951</b>	<b>37,604</b>	<b>40,101</b>	<b>40,903</b>	<b>41,721</b>	<b>42,555</b>
<b>Revenue</b>						
Penalties	948	948	948	948	948	948
<b>Total General Revenues</b>	<b>948</b>	<b>948</b>	<b>948</b>	<b>948</b>	<b>948</b>	<b>948</b>
<b>Net Costs General</b>	<b>36,003</b>	<b>36,656</b>	<b>39,153</b>	<b>39,955</b>	<b>40,773</b>	<b>41,607</b>
<b>Water Expenses</b>						
Purification and Treatment	87,050	98,359	100,326	102,332	104,379	106,467
Service of Supply	22,781	23,000	23,460	23,929	24,408	24,896
Other Water Supply Costs	-	41,000	-	-	-	-
Connection Costs	3,821	3,897	3,975	4,055	4,136	4,219
Other Costs	602	-	-	-	-	-
Amortization	122,492	122,492	122,492	122,492	122,492	122,492
Interest on Long-Term Debt	9,602	-	-	-	-	-
<b>Total Water Expenses</b>	<b>246,348</b>	<b>288,748</b>	<b>250,253</b>	<b>252,808</b>	<b>255,415</b>	<b>258,074</b>
<b>Revenue</b>						
Bulk Water Fees	300	-	-	-	-	-
<b>Net Costs Water</b>	<b>246,048</b>	<b>288,748</b>	<b>250,253</b>	<b>252,808</b>	<b>255,415</b>	<b>258,074</b>
<b>Total Net Water/General Costs</b>	<b>282,051</b>	<b>325,404</b>	<b>289,406</b>	<b>292,763</b>	<b>296,188</b>	<b>299,681</b>

<b>Water Billing Revenues</b>						
Water Billings	149,814	149,814	187,651	229,277	270,902	312,528
<b>Property Tax Revenue</b>						
Transfer from Gen. Optg.	184,189	-	-	-	-	-
<b>Net Revenue/(Expenses)</b>	<b>51,952</b>	<b>(175,590)</b>	<b>(101,755)</b>	<b>(63,486)</b>	<b>(25,286)</b>	<b>12,847</b>

The proposed Utility Rate increases are primarily required as a result of money being borrowed by the RM to build a new water treatment plant in 2008. This loan was approved by the Municipal Board and secured by a ten-year debenture, with annual payments of \$184,189 to provide for the repayment of the loan. The value of the water treatment plant was recorded as a capital asset. The use of loans is common and correct municipal practice related to the purchase of large capital assets. The RM collected the funds necessary to repay the debt from ratepayers accordingly. \$184,189 was transferred from the RM’s General Operating Fund annually and recorded as revenue by the Utility. The debt was fully repaid in 2017 at which time the \$184,189 transfer from the General Operating Fund to the Utility ceased. As the interest expense on the loan of \$9,602 was the only annual expense to the Utility for the debenture, this resulted in a \$174,587 shortfall in Utility revenue as follows:

Debenture Debt: Issued 2007, Matured 2017	
Annual Payment – Transfer from General Operating	\$184,189
2017 Debenture Interest Expense	<u>\$(9,602)</u>
Shortfall in Utility Revenue	\$174,587

The RM did not provide for the cessation of the annual transfer of revenue from the General Operating Fund resulting from the maturity of the debenture debt in 2017 (as noted above) in its Utility rates, until this rate request. As a consequence, there is a significant increase in rates resulting from the \$174,587 shortfall in utility revenue. Had the RM returned to the Board on a regular basis to request smaller rate increases annually to gradually provide for the pending cessation of the annual revenue transfers, the significant increase in Utility rates could have been avoided.

## Working Capital Calculation

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 2018 Audited Financial Statements, the most recent information available, the working capital surplus as December 31, 2018 was:

	2018	2017
Utility Fund Surplus/Deficit	\$1,979,335	2,189,555
Deduct: Tangible Capital Assets	(2,080,065)	(2,202,557)
Add: Long-Term Debt	-	-
Add: Utility Reserves	132,414	174,065
<b>Equals Working Capital Surplus (Deficit)</b>	<b>\$31,684</b>	<b>161,063</b>
Operating Expenses	405,010	307,645
<b>20% of Operating Expenses (Target)</b>	<b>\$81,002</b>	<b>\$61,529</b>

The above-noted working capital calculation for the Utility in 2018 is below the Board's recommended 20% target.

## Cost Allocation Methodology

The Board requires all municipal governments to review the costs shared between its general operations and the Utility, and to allocate appropriate and reasonable costs to the Utility, based on a policy known as a Cost Allocation Methodology. This allocation must be submitted to the Board for approval and cannot be charged without receiving approval from the Board. The Board's requirements regarding cost allocation methodologies can be found in Board Order No. 93/09.



The RM's proposed Cost Allocation Methodology is as follows:

<b>Rural Municipality of Victoria Beach – Victoria Beach Water Utility Allocation Plan for Non-Direct Shared Services as at May, 2018</b>			
Category	Sub-category	Options	
1.0	Administrative Staff	Activity Based (see Note1)	5% of legislative, admin office staff, and office costs; excluding Assessment and Grants
	1.1 Billing services – meter reading to receipting and collection.		
	1.2 Accounting/ auditing/ including By-Law making and enforcement.		5% of audit costs
	1.3 Common office space		5% of office costs, utilities
	1.4 Office overheads (telephone, photocopier, computer, etc.)		5% of printing, postage, and stationary
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 (see Note 2)		
	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		N/A
	Labour	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.).

### **Contingency Allowance and Utility Reserves**

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

There is a Contingency Allowance of 10% of net rate costs, less amortization expenses and interest costs, included in the rate study which equates to \$13,558.

Based on the forecasts presented in the RM's rate study, the Utility's Working Capital Surplus is forecasted to be higher than the Board requirement by the end of the term of the rates requested. There is no transfer to reserves included in the RM's rate study.

### **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 as soon as it is known.

On November 13, 2018, the RM applied for approval of an anticipated operating deficit of \$207,006 for 2018. The RM requested \$35,000 be recovered from the Utility Reserve Fund and the remainder be recovered using a four-year, annual rate rider of \$38.75 per year for connected Utility customers and \$7.00 per year for non-connected properties.

On May 3, 2019, the RM submitted its 2018 Audited Financial Statements indicating an actual, audited deficit of \$254,396 for 2018 for the Utility.

On August 14, 2019, the RM submitted a revised Operating Deficit Application for approval of a “2018 non-PSAB operating deficit (excluding amortization expense of \$122,492) [of] \$87,728” to be recovered using a two-year, annual rate rider. The RM also requested the rate rider be applied to the 1,035 connected Utility customers only and non-connected customers be excluded from the rate rider charge. The RM did not provide the detailed calculations of the rate rider charge.

#### **4.0 Public Hearing**

The Public Hearing took place on July 13, 2019, in accordance with the Notice of Hearing. Approximately 27 members of the public attended, including the Reeve and one member the RM’s Council.

There was one registered presenter, RM resident Mr. D. McKibbin, who provided an oral presentation proposing the following:

- Rates not be increased for 2019 based on his analysis that the draft budget is “break even operating expenses”.
- The RM use 2019 financial data and submit a new rate study in 2020 and the rate study include a budget for capital projects such as zebra mussel control, outstanding compliance issues, and plant improvements to provide more reliable plant and distribution system shutdown and start-up.
- Connection costs be increased to approximately \$5,000, to be held in reserve for future plant expansion.

RM staff rebutted Mr. McKibbin’s presentation, noting the Utility is not in a break even operating situation and is forecasting an operating deficit for 2018 and beyond if rates are not increased.

During the open comment session of the hearing, members of the public provided opinions and comments. Where possible, the Utility staff answered the questions that were presented.

Comments and questions can be summarized as follows:

- What was the cause of the forecasted deficits?
- Given the nature of various unforeseen one-time expenses incurred in 2018 and their potential impact on future financial forecasts, is the timing of a 2019 increase warranted?
- Why is the RM not allocating funds to a reserve in its current rate study?
- Please clarify debentures and amortization and how this is indicated and/or adjusted in the financial statements and financial forecasts related to the requested rates.
- Have the financial statements and financial forecasts presented been approved by an independent auditor? Of this information, what is provided to the Board in a Rate Application?
- There is a lack of faith in the RM's ability to manage the Utility and therefore there is a lack of trust in the managerial and financial aptitude of RM staff.
- Is the RM aware there are approximately 25 connections to the Utility that have not paid connection fees and are currently not being charged rates?
- The magnitude and length of rate increases are excessive. More information is required to properly forecast required rates and therefore the RM should postpone its rate request until more financial information is available and has been analyzed.

On July 16, 2019, a third request for information was sent by the Board to the RM regarding information presented at the hearing, as follows:

- Clarification of the 2018 deficit;
- Clarification of the above-noted question regarding 25 potential utility connections where neither the connection for nor the ongoing cost of service for water have been paid;
- Clarification of the Utility's billing schedule and plans to collect 2019 rate/fee increases if 2019 bills have already been sent to customers;
- Clarification of planned improvements to the Utility; and
- Clarification regarding \$149,298 in funds owed by the Utility to the General Operating Account.

The RM responded on July 22, 2019 as follows respectively to the above:

- The RM confirmed the 2018 anticipated operating deficit of \$207,006 for 2018 has increased to an actual operating deficit of \$254,396 for 2018.
- The RM advised they have no documentation in their office to support statements regarding any such unknown connections.
- The RM advised water bills are sent separately from tax bills and have been billed for 2019 at the existing, approved water utility rates. The 2019 bills state the bill is interim and a second and final bill for 2019 will be sent to all water customers if/when the Board approves revised rates.
- The RM advised tenders close for the purchase of a diesel generator to provide uninterrupted service in the case of an electrical power outage August 7, 2019. If a financially feasible bid is tendered, the expenditure will be provided for by from the RM's Capital Development and Gas Tax Reserves. Under the current financial position of the Utility, timelines of any other Utility improvements can not be specifically identified until the finances improve.
- The RM advised funds owed by the Utility to the General Operating Account are the result of operating expenditures in excess of operating revenues.

## 5.0 Public Sector Accounting Board Standards and Amortization

As of July 1, 2009, the Public Sector Accounting Board (PSAB) set new standards for public sector accounting. The Government of Manitoba adopted the new national PSAB standards and required all municipalities and their utilities to comply. PSAB standards have had significant implications with respect to annual financial reporting and utility ratemaking. The requirement for the amortization/depreciation of utility assets to be included as an expense in utility financial statements has increased the total expenses, which need to be recovered through rates.

The Public Utilities Board Guidelines for utility rate studies states the following under Calculations of Commodity Rates-Considerations:

- Amortization of capital assets (previously known as depreciation) in accordance with PSAB standards is an expense item and must be included in the determination of revenue requirements. Similarly, grants or other contributions received for capital purposes must be capitalized for rate setting purposes and also amortized over the life of the related asset(s) as an offset to amortization expense.

Board Order No. 93/09 (available on the Board website) outlines PSAB accounting/reporting requirements for municipalities and their utilities and states the following:

- Municipalities will now be required to establish amortization rates and record annual amortization as an expense of their utility.
- The treatment of such expenditures is critical, not only for financial statement presentation, but also for the establishment of just and reasonable rates.

The amortization expense for a Tangible Capital Asset is important for rate setting purposes. The information and explanation provided by the RM during the Public Hearing did not follow PSAB standards nor does it follow the Board Guidelines.

The treatment of amortization using PSAB standards is not paying for an asset twice. Inclusion of an amortization expense is used to provide for a smaller, infrequent outflow of expenses to help pay for the eventual replacement of a capital asset instead of large, up-front payments in the future. This treatment is used to encompass regular replacement cycles for large, capital assets and equipment. PSAB standards assist utilities in maintaining consistency in rate setting and asset management. Also, while utilities most often operate on a cash basis, using PSAB standards in accounting/reporting provides a better picture of the utility's financial position at the end of a given fiscal year.

The RM and its staff must familiarize themselves with PSAB standards and the Public Utilities Board Guidelines as soon as possible. All future financial disclosures (such as annual audited financial statements) and utility rate studies must be presented and conducted in accordance with these documents and requirements.

## **6.0 Board Findings**

The Board has reviewed the application and the projections presented by the RM in its rate application and notes the calculations used to formulate the Utility's rates are not consistent with Public Utility's Board Guidelines, but instead have been designed to phase-in rates to mitigate rate-shock and high year-over-year rate increases.

The Board has also reviewed the rate study prepared by the RM's consultant, the RM's 2018 audited financial statements (the most recent financial information available), and taken into account the presentations, comments, and concerns from stakeholders at the hearing. Specifically, the RM's 2018 audited financial statements clearly states a Net Operating Deficit of \$(254,396) for the Utility for the 2018 fiscal year. While the Utility notes that unforeseen expenditures occurred in 2018 leading to higher than forecasted costs, the Board finds that the large deficit coupled with rates last being set/increased for the Utility for 2014 is an indication of insufficient rates.

While the Board is sensitive to the effect of the rate increases on customers the Board must balance this effect with the financial sustainability of the Utility when approving rates.

The Board notes, however, the RM did not properly provide for the maturity of the debenture debt in 2017 and the offsetting annual transfer of revenue from the General Operating Fund until this Rate Application. Had the RM submitted rate reviews on a timelier three-year period, as per the Board Guidelines, regular, smaller increases would have mitigated the need for this substantial rate increase.

The Board is concerned that during the proceedings of the Hearing, in both the RM's presentation and in the RM's responses to questions regarding its Utility's expenses and amortization, the RM stated it had removed the amortization expense from the financial forecasts used to calculate the requested water utility rates. The Rate Study provided by the RM's consultant, however, correctly includes an amortization expense in the Schedule of Utility Rate Requirements (Tab 7 of the RM's Rate Study) that was used in the financial forecasts to calculate all of the water utility rates the RM has requested. The consultant's treatment of amortization expenses is in keeping with PSAB standards and the Board's Guidelines.

The Board notes the Schedule of Utility Rate Requirements completed in the rate study submitted by the RM's consultant forecasts expenditures for 2019, 2020, 2021, and 2022 are in-line with previous year's audited financial statements.

The Board does not accept the RM's request for four years of revised rates and varies the rates as requested by the RM to be reduced to three years in duration. The Board also varies the rates as requested by the RM for 2019, 2020, and 2021 as set out in Schedule A of this Order. This variance aligns more closely with the Utility's revenue requirements using the RM's consultants' forecasts in conjunction with the 2018 Audited Financial Statements.



The Board notes, however, use of this rate-setting methodology requires diligent year-over-year monitoring of the Utility's budget and directs the RM to file Deficit Applications and recovery methodology with the Board accordingly for any and all deficits as soon as they are known.

The Board approves the Shared Cost Allocation Methodology and reminds the RM this methodology must be used consistently and requires Board approval should any changes be considered.

The Board requires the RM to review its rates for adequacy for the Utility and file a report with the Board, as well as an application for revised rates if required, on or before July 31, 2021.

The Board reminds the RM it is responsible for the continuous monitoring of the financial health of the Utility and applying for revised rates using a regular schedule. There is no requirement to wait until July 31, 2021 to apply for revised rates if the RM determines revised rates are required at any time before this date.

The Board notes the Utility's last Rate Application was approved in 2012 for 2012, 2013, and 2014, and rates being charged in the years prior to its Rate Application in November 2018 from 2015 up to 2018 were not sufficient to cover the Utility's expenses, which include amortization, and the Utility is now incurring deficits. Regular rate reviews submitted on a timelier three-year period, as per the Board's Guidelines, protect the financial position of the utility and mitigate the need for substantial rate increases. Customers are generally more tolerant of regular, smaller rate increases. The Board encourages the RM to review the internal processes to ensure situations such as this one can be avoided in the future.

The Board has reviewed the 2018 Audited Financial Statements and the RM's revised Operating Deficit Application for 2018. The Board finds that the RM did not account for Amortization Expenses of \$122,492 or Transfers From Reserve Funds of \$44,176. The actual operating deficit incurred in 2018 is therefore \$254,396, which is much higher than the RM's stated deficit amount of \$87,728. The correct, actual operating deficit amount of \$254,396 is identified on Page 26, Schedule 9, line item Net Operating Surplus of the RM's 2018 Audited Financial Statements.

The Board approves the recovery of the 2018 actual operating deficit of \$254,396 to be recovered from the Utility's Accumulated Surplus Account, effective the date of this Order.

The Board notes this recovery is not consistent with Public Utilities Board Guidelines as it will result in the Utility Accumulated Surplus falling below the Board approved levels. This methodology has been approved to eliminate the additional cost of a rate rider for customers to provide for the actual operating deficit, given the significant utility rate increases customers are already facing. The use of this recovery methodology, however, requires constant monitoring of the Utility's budget and strict expenditure management to ensure Utility spending is in keeping with the expenditures forecast in the RM's rate study.

The Board reminds the RM, by law Manitoba utilities are not allowed to incur deficits. Should Utility operating deficits materialize in any year the RM must file a Deficit Application and proposed method of recovery as soon as it is known.

As a result of the adoption of PSAB standards in 2009, it is an ongoing requirement by law for all Utility Deficit Applications to include amortization in their calculation. It is not acceptable practice to omit and or subtract amortization expense from operating deficit calculations. Any future Deficit Applications submitted to the Board that do not adhere to PSAB standards or that do not correctly align with the RM's Audited Financial Statements will be denied by the Board and the RM will be directed to resubmit a complete and correct Deficit Application accordingly.

## 7.0 IT IS THEREFORE ORDERED THAT:

1. The revised water rates for the Rural Municipality of Victoria Beach, Victoria Beach Water Utility, BE AND ARE HEREBY VARIED in accordance with the attached Schedule A, effective September 1, 2019, January 1, 2020, and January 1, 2021.
2. The Cost Allocation Methodology for shared administrative services as submitted by the Rural Municipality of Victoria Beach BE AND IS HEREBY APPROVED.
3. The Rural Municipality of Victoria Beach 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.
4. The Rural Municipality of Victoria Beach amend its water 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.
5. The Rural Municipality of Victoria Beach review the water rates for the Victoria Beach Utility and file a report with the Board, as well as an application for revised rates if required, by no later than July 31, 2021.
6. The 2018 actual operating deficit, when calculated for regulatory purposes, incurred in the Rural Municipality of Victoria Beach, Victoria Beach Water Utility, is HEREBY VARIED from \$87,728 to \$254,396.
7. The Deficit Application by the Rural Municipality of Victoria Beach BE AND IS HEREBY VARIED to be fully recovered from the Utility's Accumulated Surplus Account, effective the date of this Order.

Fees payable upon this Order - \$1,650.00

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).

THE PUBLIC UTILITIES BOARD

"Shawn McCutcheon"  
Panel Chair

"Frederick Mykytyshyn"  
Assistant Associate Secretary

Certified a true copy of Order No. 121/19  
issued by The Public Utilities Board

  
Frederick Mykytyshyn  
Assistant Associate Secretary

**SCHEDULE A TO BY-LAW NO. 1575**

Schedule of Water Rates for Properties Serviced by the Victoria Beach Utility, Local Improvement District No. 1

**SCHEDULE OF ANNUAL RATES**

**September 1, 2019**

1. Water rate covering seasonal service to customers connected to the water system shall be levied as follows:

<u>Customer Type</u>	<u>Customer Service Charge</u>	<u>Water Commodity Charge</u>	<u>Total Annual Charge</u>
1 REU Single Family Residence Cottage Grocery Store Doctor's Office	\$27.50	\$185.00	\$212.50
2 REU's Restaurant Bakery Other Commercial	\$27.50	\$370.00	\$397.50
10 REU's Golf Course	\$27.50	\$1,850.00	\$1,877.50

2. Water rate equivalent payment covering vacant lots along main water lines shall be levied as follows:  
Any Customer - \$44.00

**January 1, 2020**

1. Water rate covering seasonal service to customers connected to the water system shall be levied as follows:

<u>Customer Type</u>	<u>Customer Service Charge</u>	<u>Water Commodity Charge</u>	<u>Total Annual Charge</u>
1 REU Single Family Residence Cottage Grocery Store Doctor's Office	\$33.75	\$217.50	\$251.25
2 REU's Restaurant Bakery Other Commercial	\$33.75	\$435.00	\$468.75
10 REU's Golf Course	\$33.75	\$2,175.00	\$2,208.75

2. Water rate equivalent payment covering vacant lots along main water lines shall be levied as follows:

Any Customer -	\$51.00
----------------	---------

**January 1, 2021**

1. Water rate covering seasonal service to customers connected to the water system shall be levied as follows:

<u>Customer Type</u>	<u>Customer Service Charge</u>	<u>Water Commodity Charge</u>	<u>Total Annual Charge</u>
1 REU Single Family Residence Cottage Grocery Store Doctor's Office	\$40.00	\$250.00	\$290.00
2 REU's Restaurant Bakery Other Commercial	\$40.00	\$500.00	\$540.00
10 REU's Golf Course	\$40.00	\$2,500.00	\$2,540.00

2. Water rate equivalent payment covering vacant lots along main water lines shall be levied as follows:  
Any Customer - \$58.00

**The following clauses take effect September 1, 2019:**

3. **Billings and Penalties**

Water and equivalent rates set forth in paragraphs 1 and 2 hereof shall be billed to each customer on a separate utility invoice and shall be payable on or before July 31<sup>st</sup> of each year. A late payment penalty charge of 1.25% compounded monthly shall be charged on the dollar amount owing after the billing due date. The due date will e at least 14 days after the mailing of the bills.

4. **Water Lines**

Any residents requesting to have water lines relocated on their own property or damaging water lines on or near their property will be charged a fee to cover any time spent on relocating and repairing water lines by Municipal employees at a rate of \$50.00 per hour.

5. **Service to Customers Outside Victoria Beach Limits**

The Council of the Rural Municipality of Victoria Beach may sign Agreements with customers for the provision of water services to properties located outside the boundaries of the Victoria Beach Water 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 Victoria Beach Water 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.

6. **Disconnection**

The Public Utilities Board has approved the Conditions Precedent to be followed by the Rural 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 Rural Municipality's offices.

7. **Outstanding Bills**

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

8. **Cross Connections**

No customer or person shall connect, cause to be connected, or allow to remain connected any piping, fixture, fitting, container, or appliance in a manner which under any circumstances may allow water, wastewater, or any harmful liquid or substance to enter the Rural Municipality's water.

If a condition is found to exist which, in the opinion of the Rural Municipality, is contrary to the aforesaid, the Rural Municipality may either:

Shut off the service or services; or

Give notice to the customer to correct the fault at his or her own expense within a specified time period.

9. **Conditions of Disrepair**

In the event that there are conditions of disrepair in the wastewater and water works on a property that detrimentally affects the system as a whole and, upon the failure of the owner of the property to correct the condition within a reasonable time, the Rural Municipality, or its agents, may enter the property, effect repairs, and charge the cost thereof against the subject property as ordinary taxes.



11. **Authorization for Officer to Enter Upon Premises**

The Public Works Manager, or other employee authorized by the Rural Municipality in the absence of the Public Works Manager, shall be authorized to enter upon any premises for the purpose of: Affixing to any pipe, wire or apparatus connected with any such utility, a meter or any other measuring or testing device; or taking readings from, repairing, inspecting, or removing any meter or apparatus belonging to the Rural Municipality.