

**Order No. 135/19**

**TOWN OF CHURCHILL  
CHURCHILL WATER AND WASTEWATER UTILITY  
REVISED RATES FOR OCTOBER 1, 2019, JANUARY 1, 2020, AND JANUARY 1, 2021  
ACTUAL OPERATING DEFICIT FOR 2017**

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**September 9, 2019**

**BEFORE: Marilyn Kapitany, BSc. (Hon), MSc., Panel Chair  
Carol Hainsworth, C.B.A., Member**

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## 1.0 Executive Summary

By this Order, the Public Utilities Board (Board) varies the revised water and wastewater rates for the Town of Churchill (Town), Churchill Water and Wastewater Utility (Utility) as shown below.

	Previous By-Law 786/2018	October 1, 2019	January 1, 2020	January 1, 2021
Quarterly Service Charge	\$ 24.00	\$ 36.89	\$ 37.84	\$ 38.76
Water (per 1,000 gallons)	\$ 17.68	\$ 25.20	\$ 26.17	\$ 27.16
Untreated Water (per 1,000 gallons)	\$ 15.77	\$ 22.55	\$ 23.45	\$ 24.39
Wastewater (per 1,000 gallons)	\$ 3.21	\$ 10.02	\$ 10.12	\$ 10.38
Minimum Quarterly Charge - Metered*	\$ 86.67	\$ 142.55	\$ 146.71	\$ 151.38
Minimum Quarterly Charge - Unmetered**	\$ 316.46	\$ 529.97	\$ 545.90	\$ 564.32
Untreated Water Minimum Quarterly Charge - Metered Commercial***	\$ 497.10	\$ 713.39	\$ 741.34	\$ 770.46
Untreated Water Minimum Quarterly Charge - Unmetered Residential****	\$ 134.39	\$ 194.74	\$ 201.99	\$ 209.49
Bulk Water (per 1,000 gallons)	\$ 19.86	\$ 29.42	\$ 30.44	\$ 31.49
Hydrant Rentals (annual for 29 hydrants)	\$ 4,414.98	\$ 5,800.00	\$ 5,800.00	\$ 5,800.00
Rate Rider per 1,000 gallons*****	\$ 5.28	\$ -	\$ -	\$ -

\*Based on 3,000 gallons

\*\*Based on 14,000 gallons

\*\*\*Based on 30,000 gallons

\*\*\*\*Based on 7,000 gallons

\*\*\*\*\*Rate Rider of \$5.28 per 1,000 gallons as approved in Order 134/18 is included in the rates for water, untreated water, and bulk water sales

The Board also approves the 2017 Actual Operating Deficit of \$650,807 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.

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

## 2.0 Background

The Town owns and operates a water utility serving 401 metered water and wastewater customers and 9 unmetered water and wastewater customers or a total of 410 customers.

The Board last approved rates for the Utility in Board Order 67/05 on May 11, 2005, with the last rate increase occurring in 2007. The Board has also approved six consecutive Utility deficits for the years 2011 up to and including 2016 totalling \$3,739,135 as follows:

- 2016 - \$604,329 – Board Order No. 134/18
- 2015 - \$621,987 – Board Order No. 134/18
- 2014 - \$921,848 – Board Order No. 134/18
- 2013 - \$339,508 – Board Order No. 10/15
- 2012 - \$663,520 – Board Order No. 107/14
- 2011 - \$587,943 – Board Order No. 107/14

The Board approved an additional rate rider of \$5.28 per 1,000 gallons of water consumed per quarter per customer in Board Order No. 134/18 due to the significant period between the Town's rate applications and to alleviate the consecutive deficits incurred by the Town as noted above.

### Water Supply/Distribution

The Town receives its raw water from the Churchill River. The water distribution system consists of approximately 5,450 meters of ductile iron pipe that was installed in approximately 1979. The distribution system is a single loop with pipes varying in size from 300mm in diameter at the main feed from the water treatment plant to 200mm in diameter for the return pipe at the water treatment plant. Freeze prevention is accomplished by heating the water supply at the plant as well as by 10 to 15 bleed points during the winter months. Fire hydrants are of the on-line variety. Watermains are constructed of approximately 75% cast iron and 25% high-density polyethylene (HDPE) pipe.

## **Wastewater Collection/Treatment**

The wastewater system consists of approximately 5,100 meters of asbestos cement gravity sewer connected to a lift station at the northwest end of Kelsey Boulevard. The pipe was installed in approximately 1979 and is primarily 200mm in diameter with exceptions being on Kelsey Boulevard and the connection between Hendry Street and Kelsey Boulevard which are both 250mm in diameter. Several sections of pipe were replaced in the mid 1990's with HDPE.

## **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.

The Town's unaccounted for water is as follows: 2013 – 43.0%; 2014 – 34.2%; 2015 – 28.4%; 2016 - 42.7%; and 2017 – 38.1% or a five-year average of 37.3% unaccounted for water. The Town's rate study notes this is due to: hydrant flushing; fighting fires and practice; watermain breaks; water leaks on private property; unmetered accounts; and "bleeders" to prevent line freezing. The Town's rate study notes it will monitor water flow to try to keep water loss at a minimum.

### 3.0 Application

On March 27, 2019, the Town applied for interim, revised water and wastewater rates as set out in By-Law No. 788/19 having had first reading February 12, 2019. The application was supported by a rate study prepared by the Town's consultant. The Town advised revised rate were required urgently to mitigate ongoing deficits incurred by the Town.

On May 21, 2019, Board staff requested a Council Resolution from the Town confirming interim rates are required and the rationale to support the Town's request. On June 10, 2019, Town staff advised there was to be a Town Council meeting on June 20, 2019 and if Town Council decides to proceed, the Council Resolution would be passed at that time.

Numerous attempts were made to contact Town staff, officials, and Council to attain a Council Resolution so as to move forward as soon as possible with the Town's request for interim rates. On July 25, 2019, Town staff advised the Town was no longer seeking interim rates.

A Public Notice of Application was issued on July 26, 2019 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the Town on or before August 26, 2019. No complaints 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. Whenever reasonable, the Board can review the application using a paper review process, which saves the cost of a public hearing process. Given the Town held a Town Hall meeting to make customers aware of the financial status of the Utility and no complaints were received by the Town or the Board, the Board has chosen a paper review process for this application.

The rates were calculated based on the following projections using an inflation rate of 3% in all calculations:

<b>Schedule of Utility Rate Requirements – Churchill Water and Wastewater Utility 2019 to 2023 Budget Forecasts (\$)</b>					
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>Forecast</b>				
<b>General Expenses</b>					
Administration	60,506	62,321	64,191	66,117	68,100
Billing and Collection	4,500	4,635	4,774	4,917	5,065
Total General Expenses	65,006	66,956	68,965	71,034	73,165
<b>Revenue</b>					
Penalties	4,500	4,900	5,400	5,400	5,400
Total General Revenues	4,500	4,900	5,400	5,400	5,400
<b>Net Costs General</b>	<b>60,506</b>	<b>62,056</b>	<b>63,565</b>	<b>65,634</b>	<b>67,765</b>
<b>Water Expenses</b>					
Staffing	328,542	338,398	348,550	359,007	369,777
Purification and Treatment	260,000	267,800	275,834	284,109	292,632
Transmission and	383,000	394,490	405,325	418,514	431,070
Other Water Supply Costs	45,000	46,350	47,741	49,173	50,648
Amortization/Depreciation	195,902	195,902	195,902	195,902	195,902
Minor Capital Upgrades	97,000	99,910	102,907	105,995	109,174
Contingency	55,677	57,347	59,068	60,840	62,665
Total Water Expenses	1,365,121	1,400,197	1,435,327	1,473,540	1,511,868
<b>Revenue</b>					
Connections	15,000	15,450	15,914	16,391	16,883
Hydrant Rentals	5,800	5,800	5,800	5,800	5,800
Investment Income	314,000	314,000	314,000	-	-
Amortization of Capital	41,467	41,467	41,467	41,467	41,467
Other Revenue	86,000	86,000	86,000	86,000	86,000
Total Water Revenue	462,267	462,717	463,181	149,658	150,150
<b>Net Costs Water</b>	<b>902,854</b>	<b>937,480</b>	<b>973,146</b>	<b>1,323,882</b>	<b>1,361,718</b>
<b>Wastewater Expenses</b>					
Staffing	110,364	113,675	117,085	120,598	124,216
Collection System	15,000	15,450	15,914	16,391	16,883
Lift Station	17,600	18,128	18,672	19,232	19,809
Treatment and Disposal	52,300	53,869	55,485	57,150	58,864
Other Collection/Disposal	45,000	46,350	47,741	49,173	50,648
Amortization/Depreciation	181,912	181,912	181,912	181,912	181,912
Principal/Interest LT Debt	120,227	120,227	120,227	120,227	120,227

Minor Capital Upgrades	40,000	41,200	42,436	43,709	45,020
Contingency	14,013	8,750	9,012	9,283	9,561
Total Wastewater Expenses	596,416	599,561	608,484	617,675	627,140
<b>Revenue</b>					
Other Revenue-Wastewater	53,000	53,000	53,000	53,000	53,000
Amortization of Cap. Grants	65,660	65,660	65,660	65,660	65,660
Taxation Revenue	120,227	120,227	120,227	120,227	120,227
Other Revenue	16,000	16,000	16,000	16,000	16,000
Total Wastewater Revenue	254,887	254,887	254,887	254,887	254,887
<b>Net Costs Wastewater</b>	<b>341,529</b>	<b>344,674</b>	<b>353,597</b>	<b>362,788</b>	<b>372,253</b>
<b>Net Operating Costs</b>	<b>1,244,889</b>	<b>1,344,210</b>	<b>1,390,308</b>	<b>1,752,304</b>	

The proposed Utility rate increases are required due to rates last being increased in 2007 and existing rates being insufficient to provide for the Utility's operating costs.

### 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 a contingency allowance.

The Town has included \$55,677 in 2019, \$ 57,347 in 2020, \$59,068 in 2021, \$60,840 in 2022 and \$ 62,665 in 2023 in the proposed rates as a contingency allowance for water and \$14,013 in 2019, \$8,750 in 2020, \$9,012 in 2021, \$9,283 in 2022, and \$9,561 in 2023 as a contingency allowance for wastewater. The rate study notes no requirement for a Reserve Fund allocation.



## 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. The working capital represents the net liquid assets of the Utility and therefore the Utility's solvency.

As per the 2017 audited financial statements, the most recent information available, the working capital surplus at December 31, 2017 was:

	2017
Utility Fund Surplus/Deficit	\$4,455,798
Deduct: Tangible Capital Assets	(8,150,139)
Add: Long-Term Debt	-
Add: Utility Reserves	4,969,073
<b>Equals Working Capital Surplus (Deficit)</b>	<b>\$1,274,732</b>
Operating Expenses	1,460,561
<b>20% of Operating Expenses (Target)</b>	<b>\$292,112</b>

The Utility meets the Board minimum working capital surplus of 20% as of December 31, 2017. The Town has not yet provided its 2018 audited financial statements and therefore the Utility's current working capital position is not known.

A significant portion of the Utility Reserves is made up of a Manitoba Hydro Bond that matures December 2021. The Town has confirmed, upon maturity of the Manitoba Hydro Bond, \$3,739,135 is to be repaid to the Utility fund for actual operating deficits incurred from 2011 up to and including 2016.

## 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 changed without receiving approval from the Board. The Board's requirements regarding cost allocation methodologies can be found in Board Order No. 93/09.

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

<b>Costs</b>	<b>Amount</b>	<b>Proposed Allocation</b>	<b>Total</b>
Legislative Council	\$42,000		
Administrative Staff	\$374,000		
Office Expenses	\$109,080		
Legal Fees	\$40,000		
Audit Fees	\$18,000		
Total	\$583,080	5%	\$29,154
Director of Facilities	\$86,186	10%	\$8,619
Director of Public Works and Utilities	\$86,186	25%	\$21,547
		Total	\$59,320

## Deficits

By law, Manitoba utilities are not allowed to incur deficits. In the event 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 March 27, 2019, the Town applied for approval of an actual operating deficit of \$650,807 for 2017 to be recovered from the Utility's Accumulated Surplus Account. The Deficit Application noted the deficit occurred as a result of insufficient water rates, a declining and seasonal population, and unaccounted for water loss through the use of "bleeders" to prevent water line freezing during winter months.

The Town's rate study notes the Town is anticipating a further operating deficit in 2018 and will make an application to the Board once audited financial statements become available.

## 4.0 Board Findings

The Board has reviewed the application and the projections presented by the Town in its Rate Application and finds them to be acceptable. The Board, however, does not accept the Town's request for five years of revised rates. The Board varies the Town's request and approves three years of revised rates effective October 1, 2019, January 1, 2020, and January 1, 2021.

The Board is sensitive to the impact of utility rate increases to ratepayers, however, the Board must also consider the sustainability of the Utility when approving rates. The Town's current rates were last set in 2005 and the Utility has experienced deficits in 2011 up to and including 2017 due to insufficient rates. The Board finds approving the Town's request for five years of revised rates is too long a time period between rate studies and a three-year time period is in keeping with the Board's Guidelines.

The Board has not received the Town's 2018 audited financial statements and reminds the Town audited financial statements are to be reported no later than June 30 of the following year.

The Board understands the Town faces challenges including a declining population, high costs of living, and large amounts of water loss resulting from “bleeders” required to prevent water line freezing. Notwithstanding these circumstances and the pressures placed on ratepayers, it is the Town’s responsibility to operate the Utility in a manner that maintains its financial viability. This includes regular rate reviews and filing of Rate Applications with the Board to ensure utility rates are adequate to sustain the operating costs of the Utility and completion and monitoring of the audited financial statements on a timely basis to allow for up-to-date reviews of the financial well-being of the Utility.

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

The Board directs the Town to cease the collection of the \$5.28 rate rider per 1,000 gallons consumed approved in Board Order No. 134/18, effective October 1, 2019. The Board notes, based on the rate study conducted by the Town’s consultant, the approved rates are forecasted to be sufficient to maintain the financial viability of the Utility and therefore the rate rider is no longer required.

The Board requires the Town to review its water rates for the Utility for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates on or before December 31, 2021.

The Board reminds the Town 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 December 31, 2021 to apply for revised rates if the Town determines revised rates are required at any time before this date.

The Board has reviewed the Town’s Deficit Application and is concerned it does not have up-to-date audited financial statements to ascertain the Utility’s current working capital position. The Board is also concerned the Utility still owes \$3,739,135 to recover the Utility’s 2011

through 2016 actual operating deficits that will be recovered from the Utility's accumulated surplus upon maturity of the Town's Manitoba Hydro Bonds in 2021.

The Board approves the 2017 actual operating deficit of \$650,807 to be recovered from the Utility's accumulated surplus fund, effective the date of this Order. The Board also notes the Town anticipates an operating deficit for 2018 pending the completion of the 2018 audited financial statements.

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

The Town has advised its audited financial statements will be completed by October 31, 2019. The Board directs the Town to submit its audited financial statements as soon as they are available and to submit a Utility Operating Deficit Application by November 30, 2019, if required.

## 5.0 IT IS HEREBY ORDERED THAT:

1. The revised water and wastewater rates for the Town of Churchill, Churchill Water and Wastewater Utility, BE AND ARE HEREBY VARIED in accordance with the attached Schedule “A”, effective October 1, 2019, January 1, 2020, and January 1, 2021.
2. The Town of Churchill cease collection of the rate rider of \$5.28 per 1,000 gallons of water consumed approved in Board Order No. 134/18, effective October 1, 2019.
3. The Cost Allocation Methodology for shared administrative services as submitted by the Town of Churchill BE AND IS HEREBY APPROVED.
4. The Town of Churchill 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 Town of Churchill 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.
6. The Town of Churchill review its water 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, 2021.
7. The 2018 actual operating deficit, when calculated for regulatory purposes, incurred in the Town of Churchill, Churchill Water and Wastewater Utility, BE AND IS HEREBY APPORVED to be recovered from the Utility’s Accumulated Surplus Account, effective the date of this Order.
8. The Town of Churchill submit its 2018 audited financial statements as soon as they are available.
9. The Town of Churchill submit a 2018 Utility Operating Deficit Application by no later than November 30, 2019 if required.

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

Fees payable upon this Order - \$650.00

THE PUBLIC UTILITIES BOARD

"Marilyn Kapitany, BSc. (Hon), MSc."  
Panel Chair

"Frederick Mykytyshyn"  
Assistant Associate Secretary

Certified a true copy of Order No. 135/19 issued  
by The Public Utilities Board

  
Frederick Mykytyshyn  
Assistant Associate Secretary

**SCHEDULE A**

**TOWN OF CHURCHILL  
CHURCHILL WATER AND WASTEWATER UTILITY  
WATER & WASTEWATER UTILITY RATES BY-LAW NO. 788/2019  
SCHEDULE OF QUARTERLY RATES**

**Bulk Water Sales**

Water sold in bulk shall be charged for at a rate per 1,000 gallons:

2019	2020	2021
\$29.42	\$30.44	\$31.49

**Customer Service Charge**

A customer service charge shall be charged quarterly:

2019	2020	2021
\$36.89	\$37.84	\$38.76

**Commodity Rates (per 1,000 gallons)**

	2019		2020		2021	
	Treated	Untreated	Treated	Untreated	Treated	Untreated
Water	\$25.20	\$22.55	\$26.17	\$23.45	\$27.16	\$24.39
Wastewater	10.02	-	10.12	-	10.38	-
Total	\$35.22	\$22.55	\$36.29	\$23.45	\$37.54	\$24.39



**Minimum Quarterly Charges Metered Water and Wastewater Customers**

<b>Meter Size</b>	<b>Capacity Ratio</b>	<b>Effective Quantity</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
5/8"	1	3-Service Charge	\$36.89	\$37.84	\$38.76
		Water & Wastewater	105.66	108.87	112.62
		Minimum Charge	\$142.55	\$146.71	\$151.38
1"	4	12-Service Charge	\$36.89	\$37.84	\$38.76
		Water & Wastewater	422.64	435.48	450.48
		Minimum Charge	\$459.53	\$473.32	\$489.24
1.5"	10	30-Service Charge	\$36.89	\$37.84	\$38.76
		Water & Wastewater	1,056.60	1,088.70	1,126.20
		Minimum Charge	\$1,093.49	\$1,126.54	\$1,164.96
2"	25	75-Service Charge	\$36.89	\$37.84	\$38.76
		Water & Wastewater	2,641.50	2,721.75	2,815.50
		Minimum Charge	\$2,678.39	\$2,759.59	\$2,854.26
3"	45	135-Service Charge	\$36.89	\$37.84	\$38.76
		Water & Wastewater	4,754.70	4,899.15	5,067.90
		Minimum Charge	\$4,791.59	\$4,936.99	\$5,106.66
4"	90	270-Service Charge	\$36.89	\$37.84	\$38.76
		Water & Wastewater	9,509.40	9,798.30	10,135.80
		Minimum Charge	\$9,546.29	\$9,836.14	\$10,174.56

**Minimum Quarterly Charges Unmetered Water and Wastewater Customers**

	Capacity Ratio	Quantity	2019	2020	2021
Residential	3	14-Service Charge	\$36.89	\$37.84	\$38.76
		Water and Wastewater	493.08	508.06	525.56
		Minimum Charge	\$529.97	\$545.90	\$564.32

**Hudson Bay Port Company**

In consideration of the fact that the Hudson Bay Port Company does not use the wastewater collection or wastewater treatment system, the quarterly rate chargeable to the Hudson Bay Port Company shall be as follows:

Capacity Ratio	Quantity	2019	2020	2021
170	510-Service Charge	\$36.89	\$37.84	\$38.76
	Water Only	12,852.00	13,346.70	13,851.60
	Minimum Charge	\$12,888.89	\$13,384.54	\$13,890.36

**Untreated Raw Water**

	Capacity Ratio	Quantity	2019	2020	2021
Metered Commercial	10	30-Service Charge	\$36.89	\$37.84	\$38.76
		Water Only	676.50	703.34	731.70
		Minimum Charge	\$713.39	\$741.34	\$770.46
Unmetered Residential	1	7-Service Charge	\$36.89	\$37.84	\$38.76
		Water Only	157.85	164.15	170.73
		Minimum Charge	\$194.74	\$201.99	\$209.49

Billings and Penalties for Non-Payment

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

Hydrant Rentals

The Town of Churchill shall pay the Utility an annual rental for 29 hydrant connected to the system, at a rate of \$5,800.00.

Disconnection and Re-Connection

Water and wastewater services may be disconnected without further notice if water and wastewater accounts have not been paid within 30 days of the due date. A disconnection fee of \$100.00 will be added to the account at this time. Prior to turning the water back on, a further \$100.00 will be added to the amount which must be paid to clear the account:

In the event that a customer desires to disconnect their water service, a fee of \$100.00 will be instituted and added to the final bill for the service. When the service is turned back on, a further fee of \$100.00 will be charged.