

Order No. 153/19

**MUNICIPALITY OF WESTLAKE-GLADSTONE
PLUMAS WATER & WASTEWATER UTILITY
WATER AND WASTEWATER RATES
EFFECTIVE JANUARY 1, 2020 and 2021
OPERATING DEFICIT RECOVERY FOR 2017, 2018, 2019 and 2020**

October 11, 2019

**BEFORE: Marilyn Kapitany, BSc. (Hon), MSc., Panel Chair
Shawn McCutcheon, Panel Member**

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1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) grants approval of revised water and wastewater rates for the Municipality of Westlake-Gladstone (Municipality), Plumas Water and Wastewater Utility (Utility). Rates were last set in Board Order No. 141/07 and came into effect October 1, 2007.

The existing and approved rates are below:

	Current Rates	Approved Rates	
	By-Law 1969	Jan 1, 2020	Jan 1, 2021
Quarterly Service Charge	\$7.50	\$11.60	\$13.64
Water per cubic meter*	\$2.75	\$3.64	\$4.05
Wastewater per cubic meter*	\$0.30	\$0.40	\$0.45
Minimum Quarterly Charge**	\$50.10	\$68.16	\$76.64
Bulk water per 1,000 gallons	\$13.00	\$17.00	\$19.00
Reconnection fee	\$50.00	\$50.00	\$50.00
Hydrant rental	\$75.00	\$100.00	\$100.00
*Previously charged per 1,000 gallons not m3; converted for ease of comparison			
**Based on 14 cubic meters			

The Board approves recovery of the following operating deficits; 2017 (\$12,312), 2018 (\$22,213), 2019 (\$11,975) and 2020 (\$2,033) for a total of \$48,533.

The deficits are to be recovered from the Utility's accumulated surplus. The Board approves the Utility's Cost Allocation Methodology.

Details of other rates are in the attached Schedule "A".

The reasons for the Board's decisions are under "Board Findings".

2.0 Background

The Municipality owns and operates the Plumas Utility, a water and wastewater utility serving 134 metered customers. The Utility has 133 water and wastewater customers and one water only customer.

Water Supply and Distribution

The Plumas Utility purchases water from the Yellowhead Water Coop (YWC). The water lines were installed in 1996.

Wastewater Collection and Treatment

The wastewater system consists of lines installed in 1996 and a wastewater lagoon with two cells and room for expansion if required in future.

Unaccounted for Water

Unaccounted for water is reported as a negative number, meaning the Utility has sold more water than it purchased from the YWC. Because the Utility is relatively modern, unaccounted for water is expected to be a low percentage. There are a number of factors likely contributing to the negative unaccounted for water. The meters used by YWC to measure the volume of water sold to the Utility may have been malfunctioning, resulting in the Utility being under billed for water purchases. The number of customers using less than the minimum quarterly volume of 14m³ would also result in the Utility billing more water than it is actually distributing to customers.

3.0 Application

On September 22, 2017, the Board received an application for revised rates from the Municipality for the Plumas Water and Wastewater Utility. The application was accompanied by a rate study completed by the Municipality's consultant and By-law No. 2017-06 read for the first time on September 19, 2017.

The Municipality stated the Utility requires a rate increase to cover annual operating deficits, to allow for contingency funding in the rates and to fund a new septic tank clean out program.

A Public Notice of Application was issued on August 6, 2019 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the Municipality on or before September 6, 2019. It was discovered the Notice had only been published once rather than twice, and the Notice was revised with a new response deadline of October 9, 2019. There were no responses to the Notice.

When reviewing an application, the Board has at its disposal two approaches, a paper review process or a public hearing. After the publication of the Notice of Application, the Board considers the application and responses, if any, and determines which method of review is most appropriate. Whenever reasonable, the Board can review the application using a paper review process, saving the cost of a public hearing.

The Board has reviewed this application and has chosen a paper review process.

The Municipality used the following projections to calculate utility rates:

	2019	2020	2021
Administration	5,983	6,103	6,225
Billing and collection	1,428	1,457	1,486
Total expenses general	7,411	7,560	7,711
Penalties	400	400	400
Total revenue general	400	400	400
Net revenue requirement - general	7,011	7,160	7,311
Purification and treatment	6,242	6,367	6,495
Transmission and distribution	510	520	531
Water purchases	35,042	35,743	36,458
Amortization	14,351	12,304	12,304
Service of Supply	12,485	12,734	12,989
Repair shutoffs	3,121	3,184	3,247
Other Water Supply costs	3,121	3,184	3,247
Contingency	5,308	5,308	5,308
Total expenses water	80,180	79,344	80,579
Other revenue	4,000	4,000	4,000
Connection fees	100	100	100
Bulk water fees	4,200	4,620	5,082
Hydrant rentals	700	700	700
Total revenue water	9,000	9,420	9,882
Net revenue requirement - water	71,180	69,924	70,697
Wastewater treatment and disposal	6,120	6,242	6,367
Annual septic tank cleanout	5,320	5,426	5,535
Contingency	670	670	670
Total expenses sewer	12,110	12,338	12,572
Lagoon tipping fees	5,200	5,200	5,200
Total revenue sewer	5,200	5,200	5,200
Net revenue requirement - sewer	6,910	7,138	7,372

Contingency Allowance and Utility Reserves

The Board's Water and Wastewater Rate Application Guidelines recommend an annual contingency allowance equal to 10% of the variable operating costs.

The Municipality has included in the rates a contingency allowance of 10% of variable operating costs, for a total of \$5,978 per year. The revenue requirements for the revised rates did not include a provision to add to existing reserves.

Working Capital Surplus

Board Order No. 93/09 established utilities should maintain a minimum working capital surplus, in an amount equal to 20% of annual expenses. The working capital surplus is the Utility fund balance, excluding any capital-related items plus Utility reserves.

As per the 2017 audited financial statements, the working capital surplus at December 31, 2017 was compliant with the Board's guidelines:

	2017
Accumulated Fund Surplus	\$ 331,494
Deduct tangible capital assets	\$ 277,337
Add long term debt	\$ -
Add utility reserves	\$ 70,919
Equals Working Capital Surplus	\$ 125,076
Operating costs - 2017	\$ 80,092
20% of operating costs (target)	\$ 16,018

Operating 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. The Board is therefore duty bound to approve reasonable rates based on reasonable expense projections.

The Municipality did not separately apply to the Board for approval of the operating deficits.

Cost Allocation Methodology

The Board requires all municipal governments to review the costs shared between 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 (CAM). 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.

CAO - .5 days per month	\$2,284
Receptionist - 1 day per month	\$1,622
Utility Clerk - 3 days per month	\$5,866
Total Administration costs allocated to Utility per year	\$9,772
Flat rate allocation to Utility for office printing, postage, stationary	\$1,400

4.0 Board Findings

Upon receipt of the Municipality's application, an administrative error occurred and the application was inadvertently filed as completed. This error was not discovered until the Municipality's consultant inquired in June 2019. As a result, the Board has made every attempt to expedite the processing of the application, while maintaining the integrity of the Board's review process. The Board apologizes to the Municipality for the delay in processing the application.

The Board has reviewed the application and revenue projections presented by the Municipality and finds the projections to be reasonable. The Board grants approval to the rates as applied for effective January 1, 2020 and 2021. The Board determined it was appropriate to grant approval to the rates requested for years two and three (2020 and 2021 operations), rather than beginning with year one (2019 operations).

The Board grants approval of the revised Cost Allocation Methodology as applied by the Municipality.

The Board grants approval for the recovery of the 2016, 2017, 2018, 2019 and 2020 operating deficits from the Utility's accumulated surplus account. Once these deficits have been recovered, the working capital surplus is projected to remain compliant with the Board's minimum requirements.

The Board makes this decision to allow the Municipality to deal with the deficits in a timely way, and because the Utility has sufficient working capital to support recovery from the Utility's accumulated surplus account.

It will be important that going forward, the Municipality be compliant with the Board's requirements for reporting operating deficits. If the Municipality requires assistance in understanding the requirements, Board staff are available to assist.

The Board reminds the Municipality regular reviews are important for a financially sound utility and encourages the Municipality to review Board Order No. 86/17 for future rate

applications. The Order outlines the Simplified Rate Application Process for municipally owned public utilities. If, after its rate review, the Municipality finds it meets the designated criteria for a simplified rate application, it should apply for future rates using the Simplified Rate Application Process.

The Board requires the Municipality to review its water and wastewater rates for adequacy and file with the Board either a report confirming the adequacy of the rates or an application for revised rates, on or before December 31, 2022.

5.0 IT IS THEREFORE ORDERED THAT:

1. The water and wastewater rates for the Municipality of Westlake-Gladstone – Plumas Water and Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule “A” to this Order, effective January 1, 2020 and 2021.
2. The Cost Allocation Methodology for shared services as submitted by the Municipality of Westlake-Gladstone for the Plumas Water and Wastewater Utility BE AND IS HEREBY APPROVED.
3. The actual and anticipated operating deficits, when calculated for regulatory purposes, 2017 (\$12,312), 2018 (\$22,213), 2019 (\$11,975) and 2020 (\$2,033) for a total of \$48,533 incurred in the Municipality of Westlake-Gladstone, Plumas Water and Wastewater Utility, are HEREBY APPROVED to be recovered through the Utility’s Accumulated Surplus Account, effective the date of this Order.
4. The Municipality of Westlake-Gladstone is to provide notice of the decisions found in this Order to its customers as soon as possible, with a copy submitted to the Public Utilities Board.
5. The Municipality of Westlake-Gladstone amend its Utility 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 Westlake-Gladstone review Plumas Water and Wastewater Utility rates for adequacy and file with the Public Utilities Board either a report confirming the adequacy of the rates or an application for revised rates, on or before December 31, 2022.

Fees payable upon this Order - \$500.00

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.

THE PUBLIC UTILITIES BOARD

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

"Jennifer Dubois, CPA, CMA"
Assistant Associate Secretary

Certified a true copy of Order No. 153/19
issued by The Public Utilities Board


Assistant Associate Secretary

**MUNICIPALITY OF WESTLAKE-GLADSTONE
PLUMAS UTILITY
WATER & SEWER UTILITY RATES BY-LAW NO. 2017-06**

SCHEDULE "A"

SCHEDULE OF QUARTERLY RATES

1. Schedule of Commodity Rates & Quarterly Service Charge **January 1, 2020**

Rates per Cubic Meter	Cubic Meter per quarter		
	Water	Sewer	Water & Sewer
	\$3.64	\$.40	\$4.04

Quarterly Service Charge \$11.60

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	Group Capacity Ratio	Water Included Cubic Meters	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Water & Sewer Total Quarterly Minimum
5/8 inch	1	14	\$11.60	\$50.96	\$5.60	\$68.16
¾ inch	2	28	\$11.60	\$101.92	\$11.20	\$124.72
1 inch	4	56	\$11.60	\$203.84	\$22.40	\$237.84
1 ½ inch	10	140	\$11.60	\$509.60	\$56.00	\$577.20
2 inch	25	350	\$11.60	\$1,274.00	\$140.00	\$1,425.60

b) **Water Only Customers**

The minimum charge will be the same for each meter size as shown above but the Sewer Commodity Charge will be excluded.

c) **Bulk Water Sales**

All water sold in bulk by the Plumas Utility will be charged at the rate of \$17.00 per 1,000 gallons.

1. Schedule of Commodity Rates & Quarterly Service Charge **January 1, 2021**

Rates per Cubic Meter	Cubic Meter per quarter		
	Water	Sewer	Water & Sewer
	\$4.05	\$.45	\$4.50
Quarterly Service Charge	\$13.64		

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	Group Capacity Ratio	Water Included Cubic Meters	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Water & Sewer Total Quarterly Minimum
5/8 inch	1	14	\$13.64	\$56.70	\$6.30	\$76.64
¾ inch	2	28	\$13.64	\$113.40	\$12.60	\$139.64
1 inch	4	56	\$13.64	\$226.80	\$25.20	\$265.64
1 ½ inch	10	140	\$13.64	\$567.00	\$63.00	\$643.64
2 inch	25	350	\$13.64	\$1,417.50	\$157.50	\$1,588.64

b) Water Only Customers

The minimum charge will be the same for each meter size as shown above but the Sewer Commodity Charge will be excluded.

c) Bulk Water Sales

All water sold in bulk by the Plumas Utility will be charged at the rate of \$19.00 per 1,000 gallons.

THE FOLLOWING CLAUSES TAKE EFFECT JANUARY 1, 2020:

1. Service To Customers Outside Utility's Limits

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

2. Billings And Penalties

Accounts shall be billed quarterly and the due date shall be at least 14 days after the mailing of the bills. A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date.

3. 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 office.

4. Reconnection

Any service disconnected, whether due to non-payment of account or for any other reason(s) mutually agreed to by the customer and the Municipality (ie. repairs necessitated by negligence of the customer, changes in tenant, vacancy for an extended period of time, etc.) shall not be reconnected until a reconnection fee of \$50.00 and all arrears and penalties, if any, have been paid.

5. Outstanding Bills

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

6. Hydrant Charges

The Municipality of Westlake-Gladstone, or any other hydrant owner, will pay to the Utility an annual fee of \$100.00 for each hydrant connected to the system which shall include the cost of water used for firefighting.

7. Water Allowance Due To Line Freezing

That in any case where, at the request of the Council, a customer allows water to run continuously for any period of time to prevent the water lines in the water system from freezing, the charge to the customer for the current quarter shall be the average of the billings for the last two previous quarters to the same customer, or to the same premises if the occupant has changed.

8. Sewer Surcharges

- a) There may be levied annually, in addition to the rates set forth above, a special surcharge on sewage having a Biochemical Oxygen Demand in excess of 300 parts per million, to be set by Resolution of Council.
- b) A special surcharge for substances requiring special treatment shall be charged based on the actual costs of treatment required for the particular sewage or industrial waste.

9. Meter Testing

That in any case where a utility customer requests that a meter be tested for accuracy, the customer will provide the Municipality with a deposit of \$200. The Municipality will then remove the subject meter and send it to an independent lab for testing. If the meter is found to be faulty, all costs associated with the testing process will be borne by the Municipality and the deposit will be refunded to the customer. If the meter is found to be

in proper working order, all costs associated with the testing process will be borne by the customer and the customer will be billed or refunded any balance owing.

10. 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 Municipality's water system.

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

- a) Shut off the service or services; or
- b) Give notice to the customer to correct the fault at his or her own expense within a specified time period.

11. Conditions of Disrepair

In the event that there are conditions of disrepair in the sewer 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 Municipality, or its agents, may enter the property, effect repairs and charge the cost thereof against the subject property as ordinary taxes.

12. Authorization For Officer To Enter Upon Premises

The Public Works Manager, or other employee authorized by the Municipality in the absence of the Public Works Manager, shall be authorized to enter upon any premise 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 Municipality.