

**Order No. 193/19**

**RURAL MUNICIPALITY OF LAC DU BONNET  
BROOKFIELD WATER UTILITY  
FINAL WATER RATES**

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**December 19, 2019**

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

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## 1.0 Executive Summary

By this Order, the Public Utilities Board (Board) varies the water rates as applied for by the Rural Municipality of Lac du Bonnet (RM), Brookfield Water Utility (Utility) and approves them as final. These rates were previously established on an interim *ex parte* basis by Board Order No. 103/19.

The approved rates are as follows:

	<b>August 1, 2019</b>	<b>July 1, 2020</b>	<b>July 1, 2021</b>
Water (per cubic meter)	\$ 7.20	\$ 7.24	\$ 7.30
Quarterly Service Charge	\$ 27.41	\$ 27.41	\$ 27.41
Minimum Quarterly Charge*	\$ 128.21	\$ 128.77	\$ 129.61
Disconnection/Reconnection Fee	\$ 50.00	\$ 50.00	\$ 50.00
* based on 14 cubic meters			

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

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

## 2.0 Background

The Rural Municipality purchases treated water from the Whitemouth Water Utility, owned by the Rural Municipality of Whitemouth, at the first step rate (i.e. no volume discounts). The RM's rate study notes the Utility will serve 41 customers as follows:

Location	# of Customers
RM of Lac du Bonnet – Brookfield Rd. (inc. Totem Rd.)	26
RM of Lac du Bonnet – Brookfield Coop	14
Local Government District of Pinawa – Awanipark*	1
<b>Total</b>	<b>41</b>

\*Note – The Local Government District of Pinawa is counted as one customer, but represents 36 single-family residential properties receiving service, with the potential to increase to 57 single-family residential properties.

### Water Supply/Distribution

The Brookfield Water Utility is new and was commissioned on August 13, 2019. The purchased water (from the Whitemouth Water Utility) is drawn from Natalie Lake of the Winnipeg River. The Whitemouth plant intake is approximately twelve feet below the surface of the river. Water is then pumped into the water treatment plant.

### Unaccounted for Water

The Utility is new and therefore there is no record of unaccounted for water to date.

## 3.0 Application

On June 13, 2019, the RM applied for initial interim *ex parte* water rates for the new Utility. The application was accompanied by a rate study prepared by the RM's consultant, By-Law No. 05-19 having received first reading on June 11, 2019, and Council Resolution No. 2019 0156.

A Public Notice of Application was issued on August 16, 2019 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the Rural Municipality on or before September 16, 2019. The Board received 40 responses to the Notice from stakeholders in Awanipark, stating the rates are unfair and a separate Water Supply and Sale Agreement at a lower rate should be determined for Awanipark ratepayers.

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. The paper review process considers all written materials submitted by the Utility and the Public, as well as any information requests and responses between the Board and the Utility. Whenever reasonable, the Board will review the Application using a paper review process which saves the cost of a public hearing process.

The Board has chosen a paper review process for the RM's application.

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

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>General Expenses</b>					
Administration	\$4,153	\$4,236	\$4,321	\$4,407	\$4,495
<b>Net Costs General</b>	<b>\$4,153</b>	<b>\$4,236</b>	<b>\$4,321</b>	<b>\$4,407</b>	<b>\$4,495</b>
<b>Water Expenses</b>					
Water Purchases	\$59,860	\$60,659	\$61,573	\$62,487	\$65,806
Transmission and Distribution	3,000	3,060	3,121	3,184	3,247
Transmission Booster Station	7,000	7,140	7,283	7,428	7,577
Amortization	19,209	19,209	19,209	19,209	19,209
Interest on Long-Term Debt	10,545	10,024	9,480	8,915	8,326
Total Water Expenses	\$99,614	\$100,092	\$100,666	\$101,223	\$104,165
<b>Total Expenses</b>	<b>\$103,767</b>	<b>\$104,328</b>	<b>\$104,988</b>	<b>\$105,630</b>	<b>\$108,660</b>
<b>Water Revenue</b>					
Booster Station Recovery from RM of Whitemouth	\$1,680	\$1,714	\$1,748	\$1,783	\$1,818
Total Water Revenue	\$1,680	\$1,714	\$1,748	\$1,783	\$1,818
<b>Water Billing Revenues</b>					
Water Billings	\$79,462	\$79,878	\$80,503	\$81,023	\$83,835
<b>Property Tax Revenue</b>					
Transfer from General – Water Debt	\$23,194	\$23,194	\$23,194	\$23,194	\$23,194
<b>Total Revenue</b>	<b>\$104,336</b>	<b>\$104,786</b>	<b>\$105,445</b>	<b>\$106,000</b>	<b>\$108,847</b>
<b>Net Revenue/(Expenses)</b>	<b>\$569</b>	<b>\$458</b>	<b>\$457</b>	<b>\$370</b>	<b>\$187</b>
<b>Capital Grants Amortization</b>					
Amortization of Capital Grants	\$7,244	\$7,244	\$7,244	\$7,244	\$7,244
<b>Net Operating Surplus w/PUB Adjustments</b>	<b>\$7,813</b>	<b>\$7,702</b>	<b>\$7,701</b>	<b>\$7,614</b>	<b>\$7,431</b>

### 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.

This is a new utility and therefore no Audited Financial Statements are available to date.

The RM's consultant forecasts the working capital surplus as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5
Fund Surplus/(Deficit)	\$912,501	\$912,959	\$913,417	\$913,787	\$913,974
Deduct: Tangible Capital Assets	(1,167,567)	(1,148,367)	(1,129,158)	(1,109,949)	(1,090,740)
Add: Long-Term Debt	242,995	229,824	216,110	201,830	186,962
Add: Utility Reserve	-	-	-	-	-
<b>Working Capital Surplus/(Deficit)</b>	<b>\$(12,080)</b>	<b>\$(5,584)</b>	<b>\$369</b>	<b>\$5,669</b>	<b>\$10,196</b>
Total Operating Expenses	\$103,767	\$104,328	\$104,988	\$105,630	\$108,660
<b>20% of Operating Expenses</b>	<b>\$20,753</b>	<b>\$20,866</b>	<b>\$20,998</b>	<b>\$21,126</b>	<b>\$21,732</b>

### Contingency Allowance and Utility Reserves

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

The RM has included a contingency allowance of \$7,481.

The RM advises there are no capital projects identified in the five-year capital program and therefore no annual Utility reserve transfer has been requested.

### 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 the cost allocation methodologies can be found in Board Order No. 93/09.

The RM's administration cost allocation is proposed to be based on 0.5% of financial plan general "at large" government services, less assessment grants and expenses as follows:

Rural Municipality of Lac du Bonnet – Brookfield Water Utility Allocation Plan for Non-Direct Shared Services (see Note 1) as at May, 2019			
Category	Sub-category	Options	
1.0	Administrative Staff		0.5% of general legislative expenses excluding assessment and grant expenses.
	1.1 Billing services – meter reading to receipting and collection.		Meter Reading – drive-by meter readings with minimal time required; receipting and collection part of the administrative staff allocation.
	1.2 Accounting/ auditing/ including bylaw making and enforcement.		0.5% of audit costs
	1.3 Common office space		0.5% of office costs, utilities
	1.4 Office overheads (telephone, photocopier, computer, etc.)		0.5% of printing, postage, and stationary.
2.0	Operating, construction and maintenance costs		
	2.1 Vehicle – fuel, maintenance, lease costs, capital costs		-
	2.2 Labor – full time, part time, on call, sick time, vacation (see Note 2)		Staff time will be minimal. RM staff taking required utility certification courses.
	2.3 Public works building and property.	Costs that could be charged to the Utility are minimal and nothing is currently allocated to the Utility.	There is no charge to the Utility for the Public Works Building use.
	2.4 Road repairs and alike (see Note 3)	Based on actual costs	-
3.0	Major projects		
	Interest/Financing		N/A
	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 rate application and the projections presented by the RM and finds them to be reasonable. The Board, however, does not accept the RM's request for five years of rates. The Board varies the RM's request and approves three years of rates effective August 1, 2019, July 1, 2020, and July 1, 2021.

The Board notes that complaints were received from 40 stakeholders in Awanipark in the LGD of Pinawa. The Board notes that when water is purchased, rather than produced, there are increased costs associated with the provision of that water. The Brookfield Water Utility agreed to purchase water from the RM of Whitemouth at a price negotiated with the Whitemouth Water Utility as set out in the Water Supply and Sale Agreement. The Brookfield Water Utility is incurring additional costs for administration, capital, and other operating costs associated with the flow-through of water to the LGD of Pinawa. These costs must be charged to ensure the sustainability of the Brookfield Water Utility. The Board finds these additional costs reasonable.

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 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 June 30, 2022.

The Board notes all utilities are required to file the Audited Financial Statements annually, and *The Municipal Act* requires the Board must approve any operating deficits. The RM should familiarize itself with its financial reporting requirements with respect to the Public Utilities Board. Many of these requirements can be found in Board Order No. 151/08 and Board Order No. 93/09, which are available on the Board's website.

The Board directs the RM to monitor the new Utility's performance and if the RM becomes aware the rates approved in this Order are inadequate to cover the operating costs of the Utility, the Board encourages the RM to submit a revised Rate Application as soon as possible.

## **5.0 IT IS THEREFORE ORDERED THAT:**

1. The water rates for the Rural Municipality of Lac du Bonnet, Brookfield Water Utility, as approved on an interim *ex parte* basis in Board Order No. 103/19, BE AND ARE HEREBY CONFIRMED AS FINAL in accordance with the attached Schedule A.
2. The water rates for the Rural Municipality of Lac du Bonnet, Brookfield Water Utility, BE AND ARE HEREBY VARIED in accordance with the attached Schedule A, effective August 1, 2019, July 1, 2020, and July 1, 2021.
3. The Shared Cost Allocation Methodology for the Rural Municipality of Lac du Bonnet BE AND IS HEREBY APPROVED.
4. The Rural Municipality of Lac du Bonnet amend its water By-Law for the Brookfield Water Utility to reflect the decisions in this Order and file a copy with the Public Utilities Board, as soon as it has received third and final reading.
5. The Rural Municipality of Lac du Bonnet provide a notice to its customers, including the decisions in this Order and submit a copy to the Public Utilities Board.
6. The Rural Municipality of Lac du Bonnet 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 June 30, 2022.

7. The Rural Municipality of Lac du Bonnet provide a copy of the Audited Financial Statements annually, including any necessary deficit applications, as soon as they are available, but no later than June 30 of each year.

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.

Fees payable upon this Order – \$500.00

THE PUBLIC UTILITIES BOARD

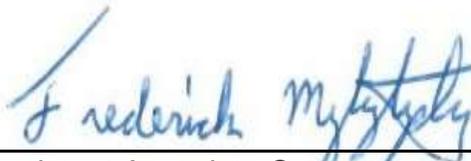
"Irene Hamilton, Q.C."

Panel Chair

"Frederick Mykytyshyn"

Assistant Associate Secretary

Certified a true copy of Order No. 193/19  
issued by The Public Utilities Board



Assistant Associate Secretary

**Schedule A**

**RURAL MUNICIPALITY OF LAC DU BONNET  
BROOKFIELD WATER UTILITY  
WATER UTILITY RATES BY-LAW NO. 05-19**

1. Schedule of Commodity Rates  
& Quarterly Service Charge

**August 1, 2019**

Cubic Meters per quarter

All Water Consumption	\$7.20
Quarterly Service Charge	\$27.41

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 Customers**

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included Cubic Meters</u>	<u>Customer Service Charge</u>	<u>Water Commodity Charge</u>	<u>Water Total Quarterly Minimum</u>
5/8 inch	1	14	\$27.41	\$100.80	\$128.21
¾ inch	2	28	\$27.41	\$201.60	\$229.01
1 inch	4	56	\$27.41	\$403.20	\$430.61
2 inch	25	350	\$27.41	\$2,520.00	\$2,547.41
3 inch	45	630	\$27.41	\$4,536.00	\$4,563.41

1. Schedule of Commodity Rates  
& Quarterly Service Charge

**July 1, 2020**

Cubic Meters per quarter

All Water Consumption	\$7.24
Quarterly Service Charge	\$27.41

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 Customers**

Meter Size	Group Capacity Ratio	Water Included Cubic Meters	Customer Service Charge	Water Commodity Charge	Water Total Quarterly Minimum
5/8 inch	1	14	\$27.41	\$101.36	\$128.77
¾ inch	2	28	\$27.41	\$202.72	\$230.13
1 inch	4	56	\$27.41	\$405.44	\$432.85
2 inch	25	350	\$27.41	\$2,534.00	\$2,561.41
3 inch	45	630	\$27.41	\$4,561.20	\$4,588.61

1. Schedule of Commodity Rates & Quarterly Service Charge

**July 1, 2021**

Cubic Meters per quarter

All Water Consumption	\$7.30
Quarterly Service Charge	\$27.41

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 Customers**

Meter Size	Group Capacity Ratio	Water Included Cubic Meters	Customer Service Charge	Water Commodity Charge	Water Total Quarterly Minimum
5/8 inch	1	14	\$27.41	\$102.20	\$130.31
¾ inch	2	28	\$27.41	\$205.80	\$233.21
1 inch	4	56	\$27.41	\$411.60	\$439.01
2 inch	25	350	\$27.41	\$2,572.50	\$2,599.91
3 inch	45	630	\$27.41	\$4,630.50	\$4,657.91

**The following clauses take effect August 1, 2019:****3. Service to Customers Outside Utility's Limits**

The Council of the Rural Municipality of Lac du Bonnet may sign Agreements with customers for the provision of water services to properties located outside the boundaries of the Brookfield Water Utility. Such Agreements shall provide for payment of the appropriate rates set out in this 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 the Brookfield 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.

**4. Billings And Penalties**

Accounts shall be billed quarterly based on water used. 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 14 days after the mailing of the bills.

**5. Disconnection and Reconnection**

The Rural Municipality shall charge a fee as shown below for a re-connecting or a disconnection of a service, if requested by a customer.

Service may be interrupted or disconnected as follows:

Curb Stop Turn-off \$50.00

Curb Stop Turn-on \$50.00

Customers will continue to receive their water billing, even if the curb stop has been turned off.

Meter Removal (includes curb stop turn-off) \$300.00

Re-installation of Meter (includes cost for curb stop turn-on) \$150.00

Customers will not receive quarterly water billings until the meter has been re-installed and the curb stop has been turned on.

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 notices 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 office.

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties, and a reconnection fee of \$300.00 have been paid.

6. Liability for Charges

Pursuant to Section 252(2) of *The Municipal Act*, the amount of all outstanding charges for water services, including fines and penalties, are a lien and charge upon the land serviced, and may be collected in the same matter in which ordinary taxes upon the land are collectible, and with like remedies.

7. Water Meters

Water meters are owned by the Rural Municipality, but are the responsibility of the utility customer to maintain. If the water meter is broken, frozen, etc., the utility customer will be billed for a new meter at the current cost of replacement.

8. Meter Testing

That in any case where a utility customer requests that a meter be tested for accuracy, the customer will provide the Rural Municipality with a deposit of \$100. The Rural Municipality will then remove the subject meter and sent 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 Rural Municipality and the deposit will be refunded to the customer and the customer's account will be adjusted for the preceding four months. 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.

9. 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 system.

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.

10. Conditions of Disrepair

In the event that there are conditions of disrepair in the 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 Supervisor, or other employee authorized by the Rural Municipality in the absence of the Public Works Supervisor, 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 Rural Municipality.