

Order No. 34/19

**RURAL MUNICIPALITY OF DE SALABERRY
OTTERBURNE WASTEWATER UTILITY
WASTEWATER RATES
EFFECTIVE JANUARY 1, 2019, JANUARY 1, 2020 and JANUARY 1, 2021**

March 21, 2019

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

Table of Contents

1.0 Executive Summary 3

2.0 Background 4

 Wastewater Collection/Treatment..... 4

3.0 Application 5

 Working Capital Surplus 7

 Operating Deficits 7

 Cost Allocation Methodology 8

 Contingency Allowance and Utility Reserves..... 9

4.0 Board Findings..... 9

5.0 IT IS THEREFORE ORDERED THAT:..... 11

 SCHEDULE “A” 13

 SCHEDULE “B” 16

 SCHEDULE “C” 17

1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) approves the revised wastewater rates for the Rural Municipality of De Salaberry (RM), Otterburne Wastewater (Utility). The approved rates are shown below:

	Previous Rates*	January 1, 2019 Rates	January 1, 2020 Rates	January 1, 2021 Rates
Customer service charge	\$ 39.00	\$ 23.27	\$ 35.43	\$ 47.94
Wastewater per REU**	\$ 243.21	\$ 268.76	\$ 272.32	\$ 275.93
Total Annual Charge***	\$ 282.21	\$ 292.03	\$ 307.75	\$ 323.87
Lagoon Tipping Fees per 1,000 gallons	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00
*Customer Service Charge & Commodity Charge per By-law 2301-12; Lagoon Tipping Fees per By-law 2339-16				
**Residential Equivalency Unit				
***Based on 1 REU				

Details of other rates may be found in the attached Schedule “A” and Schedule “B”

The reasons for the Board’s decisions may be found under “Board Findings”.

2.0 Background

The RM owns and operates a wastewater only utility, with a total of 55 customers, each assigned a residential equivalent unit (REU) determined based on Board's guidelines.

The REU assignment are as follows:

Type of Building	REU assignment
Single Dwelling	1
Post Office	1
Curling Club	1
Water Bottling Plant	2
Providence 6-Suite College Dorm	7.75
Feed Mill	9
Providence 23 Room College Dorm	18.75

The RM advises that the total number of REUs assigned is 88.5, one REU being the volume of wastewater estimated to be produced by the average single family residence. Units allocated to other customers are based on estimated consumption, as compared with a residence.

REUs are used in communities with unmetered distribution and collection systems, where information regarding actual consumption is unavailable. Utility bills are collected through taxation.

Rates were last approved in Board Order 99/12.

Wastewater Collection/Treatment

The Otterburne lagoon and low-pressure system (LPS) were installed in 1993. The original lines from the LPS are composed of Series 80 low density polyethylene (LDPE) and range in size from 75mm to 100mm. There have been few issues with the lines since they were installed. Recent extensions have been installed by developers and these assets have yet to be added to the Utility's Tangible Capital Assets (TCAs) within the audited financial statements.

Access to the lagoon is through a locked gate system. Locks are periodically changed by RM staff. Septic haulers are notified every time the lock is changed and they are asked to return the old key and are then given the new key. The Utility plans to install a gate where a key card or fob is required to gain access.

3.0 Application

On December 12, 2017, the Board received an application for revised rates from the RM for the Utility. The application was accompanied by a rate study completed by the RM and By-law 2301-12 read for the first time on October 31, 2017.

The RM states that the revised wastewater rates are primarily required to cover the increased annual operating expenses in the Utility. Consistent with past practice, the RM intends to collect the annual wastewater charge with the annual property tax bill, sent to customers each year in October.

In Board Order 95/16, the Board approved interim lagoon tipping fees for the Utility. The RM is proposing no change to the current rate in lagoon tipping fee and no administrative charge for the use of the lagoon. After the RM reviewed the tipping fees of nearby municipalities, including the St. Malo Utility, the RM determined to leave the lagoon tipping fee the same. This is to help avoid increased septage dumping from outside the RM, potentially compromising the capacity of the lagoon.

A Public Notice of Application was issued on February 16, 2018 affording customers the opportunity to comment to both the Board and the RM with respect to the proposed rate increases. No stakeholder responses were received.

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, which saves the cost of a public hearing. The Board has reviewed the application and has chosen a paper review process.

There are no capital projects for the Utility in the RM's five (5) year capital plan.

The rates were calculated based on the following revenue projections and an inflation rate of 1.5% in all calculations.

Schedule of Utility Rate Requirements			
2018 to 2020 Forecasts			
	Year 1	Year 2	Year 3
General			
<i>Expenses</i>			
Administration	\$ 1,280	\$ 1,948	\$ 2,637
Net Costs General	\$ 1,280	\$ 1,948	\$ 2,637
Wastewater			
<i>Expenses</i>			
Staffing	\$ 8,500	\$ 8,628	\$ 8,757
Sewage Collection System	\$ 5,000	\$ 5,075	\$ 5,151
Sewage Treatment & Disposal	\$ 3,000	\$ 3,045	\$ 3,091
Other Sewage Collection & Disposal Costs	\$ 2,000	\$ 2,030	\$ 2,060
Connection - Net Loss	\$ 1,000	\$ 1,015	\$ 1,030
Amortization	\$ 7,783	\$ 7,783	\$ 7,783
Contingency	\$ 1,500	\$ 1,523	\$ 1,545
Total Wastewater Expenses	\$ 28,783	\$ 29,099	\$ 29,417
<i>Revenue</i>			
Lagoon Tipping Fees	\$ 2,400	\$ 2,400	\$ 2,400
Amortization of Capital Grants	\$ 2,598	\$ 2,598	\$ 2,598
Total Wastewater Revenue	\$ 4,998	\$ 4,998	\$ 4,998
Net Costs - Wastewater	\$ 23,785	\$ 24,101	\$ 24,419

Working Capital Surplus

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 is defined as the Utility fund balance, excluding any capital-related items plus Utility reserves.

As per the 2016 audited financial statements, the most recent year available, the working capital surplus at December 31, 2016 was:

	2016	2015	2014
Fund Surplus	\$195,102	\$184,462	\$175,899
Deduct Tangible Capital Assets	(\$135,734)	(\$143,501)	(\$151,284)
Add Long-Term Debt	-	-	-
Add Utility Reserves	\$9,754	\$9,676	\$9,593
Equals Working Capital (Deficit)	\$69,122	\$50,637	\$34,208
Expenses	\$13,236	\$13,461	\$20,007
20% of Expenses (Target)	\$2,647	\$2,692	\$4,001

The above-noted working capital calculation for the Utility meets the Board recommended 20% of operating expenses.

Operating Deficits

By law, Manitoba utilities are not allowed to incur deficits. In the event that a deficit does occur, the Utility is required by *The Municipal Act* to obtain Board approval for both the deficit and recovery methodology. The Board is therefore duty bound to approve reasonable rates on reasonable expense projections.

In Board Order 99/12, the RM was directed to prepare and submit applications for approval of the 2009 and 2010 deficits for the Otterburne Sewage Collection System on or before September 30, 2012. To date, the RM has not yet submitted an application to recover

these operating deficits. Furthermore, upon review of the audited financial statements the following operating deficits have been noted:

- 2011 (\$9,350)
- 2012 (\$2,558)
- 2014 (\$4,773)

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 RM operates two utilities and shares costs between the utilities and the general RM operations. The RM through the Public Works department employs three utility operators. The operators are also employed in other areas of the public works department. Employees track their time and are paid from the proper account accordingly.

The vehicle used by the utility operators is cost-shared between the St. Malo Utility and St. Malo LUD. Mileage is recorded when operators attend to the Otterburne Utility and charged annually.

The RM is proposing the allocation of Administration costs to be 0.5% of the total administration annual hours. Administration costs consist of the following:

- Legislative
- Clerk and Staff
- Office Operating
- Audit
- Municipal Building

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.

The RM has included contingency costs for the system of approximately 5% of operating expenses that equates to \$1,500 in Year 1, \$1,523 in Year 2 and \$1,545 in Year 3.

There is no transfer to Utility Reserve included in the application.

4.0 Board Findings

The Board has reviewed the application and revenue projections presented by the RM and finds them to be acceptable. The Board approves the wastewater rates but varies the effective dates to January 1, 2019, January 1, 2020 and January 1, 2021.

As a rule, the Board is not in favour of retroactive rate increases; however, it has determined that an exception is appropriate in this case, as the RM bills on a yearly basis.

The Board reminds the RM that the utility costs should not be offset by the Education Property Tax Credit, when utility charges are collected on the tax bill. The Board recommends that the RM consider switching to a separate annual or quarterly utility billing, rather than include the utility charges on the tax bill, to send a clearer pricing signal to ratepayers.

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

The Board notes the Utility has not filed a deficit application for actual operating deficits for the years 2009, 2010, 2011, 2012 and 2014, totalling \$30,344 per the RM's audited financial statements. By law, Manitoba utilities are not allowed to incur deficits. The Board reminds the Utility if it incurs a deficit, it is required by law to file a deficit application and approval for a recovery plan with the Board as soon as it is known.

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

The Board notes that the Board's guidelines recommend 10% of operating costs be allotted for contingency, the RM has only allotted for 5% of operating costs with no provision for reserves in this application. With aging infrastructure it is important to ensure there is an adequate provision for maintenance and in the event of an emergency a contingency provision. After the recovery of the utility deficits the working capital surplus will be depleted and potentially the utility reserves. The Board directs the RM to review this contingency allocation and provide for a utility reserve contribution in the next rate application.

At the time when the application was submitted by the RM (2017), the most current audited financial statements were from 2014. To date, the latest audited financial statements available are from 2016. The RM must work towards providing more timely audited financials. Without current audited financial statements, it is difficult to determine the financial position of the Utility.

The Board is sensitive to customer reaction to the magnitude of the rate increases, however, must consider the sustainability of the Utility when approving rates. It has been 5 years since a rate change has taken place for the Otterburne Utility. Consumers are generally more tolerant of regular, smaller increases. The RM needs to be more diligent in conducting regular reviews of its revenue requirements.

The Board reminds the RM that regular reviews are important for a financially sound utility and encourages the RM to review Board Order No. 86/17 for future rate applications. This Order outlines the Simplified Rate Application Process for municipally owned public utilities. If, after its rate review, the RM 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 RM to review its wastewater rates for adequacy and file a report with the Board, as well as an application for revised rates if required, on or before September 30, 2021.

5.0 IT IS THEREFORE ORDERED THAT:

1. The wastewater rates for the Rural Municipality of De Salaberry, Otterburne Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule “A” and Schedule “B” to this Order, effective January 1, 2019, January 1, 2020, and January 1, 2021.
2. The Lagoon Tipping Fee for the Rural Municipality of De Salaberry Otterburne Utility BE AND IS HEREBY APPROVED.
3. The Cost Allocation Methodology for shared services as submitted by the Rural Municipality of De Salaberry BE AND IS HEREBY APPROVED.
4. The Rural Municipality of De Salaberry, Otterburne Utility file a deficit application and recovery methodology for the years: 2009, 2010, 2011, 2012, and 2014, by no later than May 15, 2019.
5. The Rural Municipality of De Salaberry, Otterburne Utility submit its 2017 audited financial statements, with a deficit application if required, as soon as possible.
6. The Rural Municipality of De Salaberry 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.
7. The Rural Municipality of De Salaberry amend its Otterburne Wastewater Utility rate and Lagoon Tipping Fee By-laws to reflect the decisions in this Order, and submit a copy to the Board once it has received third and final reading.

8. The Rural Municipality of De Salaberry review the Otterburne Wastewater Utility rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates (if applicable), on or before September 30, 2021.

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

"Irene A. Hamilton"

Panel Chair

"Rachel McMillin, BSc."

Assistant Associate Secretary

Certified a true copy of Order No. 34/19 issued by
The Public Utilities Board



Assistant Associate Secretary

SCHEDULE "A"**RURAL MUNICIPALITY OF DE SALABERRY
OTTERBURNE WASTEWATER UTILITY
WASTEWATER UTILITY RATES BY-LAW NO. 2357-17****SCHEDULE OF ANNUAL COMMODITY RATES**1. **2019 Annual Commodity Rates**

Building	REUs*	Sewer Charge	Customer Service Charge	Total Annual Charge
Single Dwelling	1	\$268.76	\$23.27	\$292.03
Post Office	1	\$268.76	\$23.27	\$292.03
Curling Club	1	\$268.76	\$23.27	\$292.03
Water Bottling Plant	2	\$537.52	\$23.27	\$560.79
Providence 6-Suite College Dorm	7.75	\$2,082.89	\$23.27	\$2,106.16
Feed Mill	9	\$2,418.84	\$23.27	\$2,442.11
Providence 23 Room College Dorm	18.75	\$5039.30	\$23.27	\$5,062.57

*Residential Equivalency Units

1. **2020 Annual Commodity Rates**

Building	REUs*	Sewer Charge	Customer Service Charge	Total Annual Charge
Single Dwelling	1	\$272.32	\$35.43	\$307.75
Post Office	1	\$272.32	\$35.43	\$307.75
Curling Club	1	\$272.32	\$35.43	\$307.75
Water Bottling Plant	2	\$544.64	\$35.43	\$580.07
Providence 6-Suite College Dorm	7.75	\$2,110.48	\$35.43	\$2,145.91
Feed Mill	9	\$2,450.88	\$35.43	\$2,485.31
Providence 23 Room College Dorm	18.75	\$5,106.00	\$35.43	\$5,141.43

*Residential Equivalency Units

1. **2021 Annual Commodity Rates**

Building	REUs*	Sewer Charge	Customer Service Charge	Total Annual Charge
Single Dwelling	1	\$275.93	\$47.94	\$323.87
Post Office	1	\$275.93	\$47.94	\$323.87
Curling Club	1	\$275.93	\$47.94	\$323.87
Water Bottling Plant	2	\$551.86	\$47.94	\$599.80
Providence 6-Suite College Dorm	7.75	\$2,138.46	\$47.94	\$2,186.40
Feed Mill	9	\$2,483.37	\$47.94	\$2,531.31
Providence 23 Room College Dorm	18.75	\$5,137.69	\$47.94	\$5,221.63

*Residential Equivalency Units

2. **Billings and Penalties:**

All connected customers shall be billed yearly on property tax bill and payment shall be due as set by the annual Tax Levy By-law. A late payment charge of 1 ¼% shall be charged monthly on any amount owing after the due date and will be applied on the first day of each month following the due date.

3. **Disconnection**

The Public Utilities Board has approved Conditions Precedent to be followed by the municipality with respect to the disconnection of services 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 municipal office.

4. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$50.00 have been paid.

5. Service to Customers outside the limits of Otterburne:

The Council of the Rural Municipality of De Salaberry may sign agreements with customers for the provision of sewer services to properties located outside the service area of the Community of Otterburne. Such agreements shall provide for payment of the appropriate rates set out in Section 1 of this schedule (for each applicable year), as well as a surcharge set by resolution of Council, which shall be equivalent to the frontage levy, general taxes and special taxes for utility purposes in effect at the time, or may be in effect from time to time which would be levied on the property concerned if it were within these boundaries. All costs for connecting to the utility's mains and installing and maintaining service connections shall be paid for by the customer as well as any connection fee that may be in place at the time of connection.

6. Sewage Surcharges

(a) There may be levied annually, in addition to 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 cost of treatment required for the particular sewage or industrial wastes.

**SCHEDULE "B" to By-law No. 2357-17
Lagoon Tipping Fees**

1. The fees charged to be set out as follows:
 - a. Charge per 1,000 gallons \$20.00
2. All sewage discharged into the sewage lagoon shall meet the standards outlined by Sustainable Development and contained in the licence issued by the Province of Manitoba for this lagoon. It shall be the responsibility of each septic hauler to familiarize themselves with these standards.
3. All septic haulers planning to collect sewage or septage from residents of the municipality and discharge sewage into the municipality's lagoon must register at the municipal office and shall complete the application form set out in Schedule "C".
4. Each septic hauler registered with the municipality shall be charged a per load fee based on the size of the vehicle registered. Each payment is due and payable within 14 days from the date that the invoice is mailed. If the current bill is not paid within 30 days, the municipality may revoke all rights and privileges in respect of the person(s) default in payment.
5. Each septic hauler must submit a quarterly report to the municipality indicating:
 - a. the number of loads,
 - b. the estimated volume of each load, and
 - c. the legal or civic address from where each load originated.

Failure to submit these reports may result in the municipality revoking all rights and privileges of such person(s) being in violation of this section.

6. The Designated Officer or Alternate as may be appointed shall be empowered to inspect all sewage being discharged by a Septic Hauler. If a Septic Hauler is found to be in violation of this By-law or provisions of any licensing requirements of the municipality the Designated Officer or Alternate shall have full authority to revoke all rights and privileges of such person(s) being in violation and the violator(s) shall immediately surrender their key or access card for the lagoon to the officer.

SCHEDULE "C" to Bylaw No. 2357-17

Septic Hauler Access Application Form

DATE: _____

APPLICANT'S NAME: _____

APPLICANT'S FULL BUSINESS NAME: _____

VEHICLE LICENCE NO: _____ TANK VOLUME: _____

Written confirmation of MINIMUM \$2 million liability insurance in the name of the septic hauler or associated business, with RM of De Salaberry as an additional insured. Confirmation must be provided annually and kept current at all times.

Letter from Worker's Compensation Board of Manitoba with proof of registration and good standing with WCB. Confirmation must be provided annually and kept in good standing at all times

By signing below, the applicant agrees to comply with all bylaws of the Rural Municipality of De Salaberry including:

- Only sewage collected from within the Rural Municipality of De Salaberry will be discharged into the Otterburne Lagoon.
- To submit a quarterly report to the municipality indicating the number of loads, the volume of each load and the legal or civic address from where each load originated.

The applicant understands that the municipality shall have full authority to revoke all rights and privileges of such person(s) being in violation and the violator(s) shall immediately surrender their access card for the lagoon to the municipality.

X- _____

APPLICANT'S signature

Address (full mailing address)

Phone numbers and email address:

Chief Administrative Officer's signature _____