

Order No. 43/19

**RURAL MUNICIPALITY OF YELLOWHEAD
SHOAL LAKE WATER AND WASTEWATER UTILITY
INTERIM *EX PARTE* WATER & WASTEWATER RATES
FOR JULY 1, 2019, 2020 AND 2021
ACTUAL OPERATING DEFICIT RECOVERY FOR 2015, 2016 AND 2017
BUDGETED OPERATING DEFICIT RECOVERY FOR 2018 AND 2019**

April 17, 2019

BEFORE: Carol Hainsworth, C.B.A., Panel Chair
Marilyn Kapitany, B.Sc. (Hon), M. Sc., Panel Member

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1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves, on an interim *ex parte* basis, water and wastewater rates applied for by the Rural Municipality of Yellowhead (RM), for the Shoal Lake Water and Wastewater Utility (Utility).

The revised rates are to be effective July 1, 2019, 2020 and 2021. The approved interim rates are shown below.

	Current rate PUB Order No. 106/12	July 1, 2019	July 1, 2020	July 1, 2021
Water per 1,000 gallons	\$ 6.97	\$ 8.52	\$ 10.07	\$ 11.62
Wastewater per 1,000 gallons	\$ 2.52	\$ 3.04	\$ 3.56	\$ 4.07
Deficit rate rider - July 1, 2019 to June 30, 2022*		\$ 1.49	\$ 1.49	\$ 1.49
Quarterly Service Charge	\$ 20.12	\$ 19.08	\$ 18.04	\$ 16.99
Minimum Quarterly Charge**	\$ 48.59	\$ 58.23	\$ 63.40	\$ 68.53
Bulk water rates per 1,000 gallons	\$ 8.08	\$ 16.00	\$ 18.00	\$ 20.00
Quarterly charge for wastewater only customers***		\$ 37.32	\$ 39.40	\$ 41.41

*per 1,000 gallons

** Based on 3,000 gallons

***Previously wastewater only customers were charged a flat charge equivalent to the minimum quarterly charges for a 5/8' water and wastewater customer or based on a residential equivalency unit assignment. Effective July 1, 2019, the three remaining wastewater only customers will be charged an average quarterly consumption of 6,000 gallons plus the quarterly customer service charge

Details of other rates may be found in the attached Schedule "A" to this Order.

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

2.0 Application

On January 25, 2019, the RM applied for revised water and wastewater rates for the Utility. The application was accompanied by a rate study prepared by the RM's consultant, By-law No. 3-2019 having had first reading January 22, 2019, and Council Resolution No. 51/19 requesting rates be set on an interim *ex parte* basis and approval for actual and anticipated deficits from 2015 to 2019 inclusive.

On February 28, 2019 the RM submitted Council Resolution No. 107/19 requesting the 2015 deficit of \$60,791 be recovered through a rate rider of \$1.49 per 1,000 gallons over a three year period. The remaining deficits are to be recovered through a transfer from the Utility's accumulated surplus account. The deficit application states that the deficits are a result of increased costs and a lack of revenue.

The RM's Utility rates were last approved in Board Order No.106/12 with the last rate increase occurring January 1, 2014. The RM is requesting interim rates because the Utility continues to incur operating deficits.

When reviewing an application, the Board has at its disposal several approaches. It can hold a public hearing at which the applicant can present its case and customers can present their concerns. In other cases, where it is deemed to be in the best interests of the Utility and its customers, the Board may review the application using a paper review process.

Where there is an urgent need for a rate increase and the Board determines it to be in the best interest of all parties, the Board may also establish interim *ex parte* rates. Interim rates are typically approved as applied for, and are then subject to a Public Notice of Application and the Board's review using one of the processes outlined above, before being confirmed as final by Board Order.

The use of interim rates is reserved for instances where an RM can show there is a compelling argument to allow it. This is typically done by showing the Board that the utility is experiencing

operating deficits and will continue to do so if revised rates are not approved in an expedited manner.

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.

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

	2016
Utility Fund Surplus/Deficit	\$2,329,432
Deduct Tangible Capital Assets	(2,688,721)
Add Long-Term Debt	405,536
Add Utility Reserves	2,682
Equals Working Capital Surplus (Deficit)	\$48,929
Operating Expenses	305,863
20% of Operating Expenses (Target)	\$61,173

The Utility does not currently meet the Board minimum working capital surplus of 20%. The proposed recovery of the 2015 deficit of \$60,791 through a three year rate rider will make the Utility compliant with the working capital minimum, including the absorption of the remaining deficits.

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 based on reasonable expense projections.

The RM's application included a request that the Board grant approval of actual operating deficits of \$60,791 in 2015, \$20,654 in 2016 and \$55,715 in 2017, as well as budgeted operating deficits of \$28,300 for 2018 and \$20,837 for 2019, for a total of \$184,849 to be recovered. The RM has requested approval from the Board to recover \$60,791 through a rate rider over a period of three years, and the remaining \$125,506 from the Utility's accumulated surplus.

The Utility's working capital position is forecasted to be compliant with the PUB based on the proposed recovery of \$60,791 through a rate rider.

3.0 Board Findings

The Board approves, on an interim *ex parte* basis, the water and wastewater rates as applied for by the RM effective July 1, 2019, 2020 and 2021. The Board makes this interim rate decision to mitigate the operating deficits the Shoal Lake Utility is experiencing.

A Notice of the Application to inform the ratepayers of the interim water and wastewater rate increases will be issued.

After reviewing the deficit application, the Board found that the Utility has been incurring deficits since 2014, which indicates the rates that the RM has been charging have not been sufficient to cover the Utility's expenses for several years.

The Board notes it has been 7 years since the RM's rates were last approved and increased, which was in Board Order No. 106/12, issued in August 2012. In the Board's view, this is too long between rate reviews. Regular rate reviews submitted within a three year period, as per the Board's Guidelines, protects the financial position of the Utility and mitigates the need for substantial rate increases.

It is the Utility's responsibility to review and ensure rates are adequate to recover the cost of service being provided to its customers. Customers are generally more tolerant of regular,

smaller increases. The RM needs to be much more diligent in conducting regular reviews of its revenue requirements.

4.0 IT IS HEREBY ORDERED THAT:

1. The Rural Municipality of Yellowhead's application for revised water and wastewater rates for the Shoal Lake Water and Wastewater Utility BE AND ARE HEREBY APPROVED on an interim *ex parte* basis, in accordance with the attached Schedule "A", effective July 1, 2019, 2020 and 2021.
2. The Rural Municipality of Yellowhead amend its water and wastewater by-law to reflect the decisions in this Board Order and file a copy with the Public Utilities Board, once it has received third and final reading.
3. The Rural Municipality of Yellowhead, Shoal Lake Water and Wastewater Utility provide notice of the interim rates to its customers.
4. The 2015 actual operating deficit, when calculated for regulatory purposes, of \$60,791 incurred in the Rural Municipality of Yellowhead, Shoal Lake Water and Wastewater Utility, is HEREBY APPROVED to be recovered through a rate rider of \$1.49 per 1,000 gallons of water charged to customers between July 1, 2019 and June 30, 2022.
5. The actual and budgeted operating deficits, when calculated for regulatory purposes, of \$20,654 (2016), \$55,715 (2017), \$28,300 (2018) and \$20,837 (2019) incurred in the Rural Municipality of Yellowhead, Shoal Lake Water and Wastewater Utility, are HEREBY APPROVED to be recovered through a transfer from the Utility's Accumulated Surplus Account, effective the date of this Order.

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.

Fees payable upon this Order - \$150.00

"Carol Hainsworth, C.B.A."
Panel Chair

"Jennifer Dubois, CPA, CMA"
Assistant Associate Secretary

Certified a true copy of Order No. 43/19
issued by The Public Utilities Board



Assistant Associate Secretary

**RURAL MUNICIPALITY OF YELLOWHEAD
SHOAL LAKE UTILITY
WATER & SEWER UTILITY RATES BY-LAW NO.3-2019
SCHEDULE "A"
SCHEDULE OF QUARTERLY RATES**

1. Schedule of Commodity Rates & Quarterly Service Charge

July 1, 2019

Rates per 1,000 Gallons

1,000 Gallons per quarter

Water	Sewer	Water & Sewer
\$8.52	\$3.04	\$11.56

Quarterly Service Charge \$19.08

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	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Deficit Rate Rider (see Clause 4 \$1.49/1,000)	Water & Sewer Total Quarterly Minimum
5/8 inch	3,000	\$19.08	\$25.56	\$9.12	\$4.47	\$58.23
¾ inch	6,000	\$19.08	\$51.12	\$18.24	\$8.94	\$97.38
1 inch	12,000	\$19.08	\$102.24	\$36.48	\$17.88	\$175.68
1 ½ inch	30,000	\$19.08	\$255.60	\$91.20	\$44.70	\$410.58
2 inch	75,000	\$19.08	\$639.00	\$228.00	\$111.75	\$997.83

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) Sewer Only for Residential Customers

The sewer only charge is based on average quarterly consumption of 6,000 gallons plus the quarterly customer service charge.

The quarterly charge for sewer only customers is $(6 * \$3.04) + \$19.08 = \$37.32$

3. Bulk Water

All water sold in bulk shall be charged for at a rate of \$16.00 per 1,000 gallons.

1. Schedule of Commodity Rates & Quarterly Service Charge

July 1, 2020

Rates per 1,000 Gallons

1,000 Gallons per quarter

Water	Sewer	Water & Sewer
\$10.07	\$3.56	\$13.63

Quarterly Service Charge \$18.04

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	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Deficit Rate Rider (see Clause 4 \$1.49/1,000)	Water & Sewer Total Quarterly Minimum
5/8 inch	3,000	\$18.04	\$30.21	\$10.68	\$4.47	\$63.40
¾ inch	6,000	\$18.04	\$60.42	\$21.36	\$8.94	\$108.76
1 inch	12,000	\$18.04	\$120.84	\$42.72	\$17.88	\$199.48
1 ½ inch	30,000	\$18.04	\$302.10	\$106.80	\$44.70	\$471.64
2 inch	75,000	\$18.04	\$755.25	\$267.00	\$111.75	\$1,152.04

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) **Sewer Only for Residential Customers**

The sewer only charge is based on average quarterly consumption of 6,000 gallons plus the quarterly customer service charge.

The quarterly charge for sewer only customers is $(6 * \$3.56) + \$18.04 = \$39.40$

3. Bulk Water

All water sold in bulk shall be charged for at a rate of \$18.00 per 1,000 gallons.

1. Schedule of Commodity Rates & Quarterly Service Charge

July 1, 2021

Rates per 1,000 Gallons

1,000 Gallons per quarter

Water	Sewer	Water & Sewer
\$11.62	\$4.07	\$15.69

Quarterly Service Charge \$16.99

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	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Deficit Rate Rider (see Clause 4 \$1.49/1,000)	Water & Sewer Total Quarterly Minimum
5/8 inch	3,000	\$16.99	\$34.86	\$12.21	\$4.47	\$68.53
¾ inch	6,000	\$16.99	\$69.72	\$24.42	\$8.94	\$120.07
1 inch	12,000	\$16.99	\$139.44	\$48.84	\$17.88	\$223.15
1 ½ inch	30,000	\$16.99	\$348.60	\$122.10	\$44.70	\$532.29
2 inch	75,000	\$16.99	\$871.50	\$305.25	\$111.75	\$1,305.49

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) **Sewer Only for Residential Customers**

The sewer only charge is based on average quarterly consumption of 6,000 gallons plus the quarterly customer service charge.

The quarterly charge for sewer only customers is $(6 * \$4.07) + \$16.99 = \$41.41$

3. Bulk Water

All water sold in bulk shall be charged for at a rate of \$20.00 per 1,000 gallons.

The following clauses take effect July 1, 2019:

4. Deficit Rate Rider

Deficit Rate Rider commencing July 1, 2019 for 2015 actual audited net operating deficit is calculated based on a 3 year recovery period as follows:

2015 PSAB, PUB adjusted, net operating deficit \$60,791

Divided by 2017 water volume sold 13,628,000 gallons x 3 years

Deficit Rate Rider, per 1,000 gallons over 3 years:\$1.49 per 1,000 gallons commencing July 1, 2019.

5. Billings and Penalties

Accounts shall be billed quarterly based on water used and are payable within 30 days of the billing date. A late payment penalty charge of 1 ¼% compounded monthly shall be charged on the dollar amount owing after the billing due date.

6. 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.

7. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$25.00 have been paid. Water turned on or off at the request of the customer shall be charged a fee of \$25.00 for each turn on or turn off.

8. Liability for Charges

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

The fee to add outstanding water and sewer charges to the property tax roll shall be \$10.00 per account.

9. Rental Properties

Owners of rental properties shall be required to pay the utility charges for their properties.

10. Hydrant Charges

The Rural Municipality of Yellowhead shall pay to the Utility an annual hydrant charge of \$100 for each hydrant connected to the Shoal Lake Utility. This will include the cost of water used for fire fighting.

11. Water Allowance Due to Line Freezing

That in any case where, at the request of 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 that 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.

12. Lagoon Dumping Fee

The Lagoon dumping fee is set at \$25.00 per truck or \$500.00 per year.

13. New Connections

Customers requiring new hook up to the water and sewer main lines will be responsible for the whole cost of installation right up to the main lines including the purchase of a water meter from the Municipality. This work must be done under the supervision of the Water Plant Operator. The customer will be responsible for the cost of maintenance of the line from the dwelling to the property line. The Utility will be responsible for the cost of maintenance from the property line to the main line.

14. Service To Customers Outside Utility's Limits

The Council of Rural Municipality of Yellowhead may sign Agreements with customers for the provision of water and sewer services to properties located outside the boundaries of the Municipality. 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 Municipality'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.

15. 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.

16. 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 \$100. 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 and the customer's account will be adjusted for the preceding four (4) 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.

17. Meter Tampering

Where there is evidence of meter tampering a minimum charge of \$500 will be applied to the customer's account in addition to an amount calculated to adjust for the tampering based on historical usage.

18. 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:

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.

19. 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.

20. 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.