

Order No. 54/19

**RURAL MUNICIPALITY OF WHITEMOUTH
SEVEN SISTERS WASTEWATER UTILITY
WASTEWATER RATES
EFFECTIVE JULY 1, 2019, 2020, 2021, 2022 and 2023**

May 3, 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 Manitoba Public Utilities Board (Board) approves revised wastewater rates for the Rural Municipality of Whitemouth (RM), Seven Sisters Wastewater Utility (Utility). The existing and approved rates are below:

	Current By-Law 539/10	July 1, 2019	July 1, 2020	July 1, 2021	July 1, 2022	July 1, 2023
Wastewater (per cubic meter)	\$ 0.37	\$ 0.67	\$ 0.97	\$ 1.27	\$ 1.57	\$ 1.87
Quarterly Service Charge	\$ 8.62	\$ 9.33	\$ 10.04	\$ 10.75	\$ 11.46	\$ 12.19
Minimum Quarterly Charge* - Metered	\$ 13.62	\$ 18.38	\$ 23.14	\$ 27.90	\$ 32.66	\$ 37.44
Wastewater Unmetered (flat rate*)	\$ 5.00	\$ 9.05	\$ 13.10	\$ 17.15	\$ 21.20	\$ 25.25
Minimum Quarterly Charge Unmetered*	\$ 13.62	\$ 18.38	\$ 23.14	\$ 27.90	\$ 32.66	\$ 37.44
Lagoon Tipping Fee**	\$ 15.00	\$ 25.00	\$ 30.00	\$ 40.00	\$ 50.00	\$ 60.00

*Based on 13.5 cubic meters

**Based on 3,000 gallons

The Board also approves operating deficits for the years 2019 through 2023 to be absorbed through the Utility Accumulated Surplus.

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 Seven Sisters wastewater system was originally developed in the early 1990's with additional extensions and connections to the recently built sewage lagoon in 2007. The system provides wastewater services to 127 customers, 11 of which are unmetered. Utility bills are mailed out quarterly separate from property tax bills. The Utility does not service any customers outside the RM.

Rates were last approved in Board Order No. 140/10, with current rates going into effect January 1, 2011.

3.0 Application

On May 16, 2016, the RM applied to the Board for revised wastewater and water rates for its three Utilities, the Whitemouth Water Utility, The Whitemouth Wastewater Utility and the Seven Sisters Wastewater Utility. On December 7, 2017, the Board requested the RM provide separate Schedules of Utility Rate Requirements for each of the utilities, or three separate rate applications. The RM responded by requesting Board approval to withdraw its application, which was granted on Board Order No. 12/18, with the intention of re-filing with three separate applications.

On June 5, 2018, the Board received an application for revised rates from the RM for the Seven Sisters Wastewater Utility. The application was accompanied by a rate study completed by the RM's consultant and By-law 681/18 read for the first time on May 23, 2018. This By-law detailed rates for all three Utilities.

The RM states the revised rates are primarily required as a result of a drop in revenues from property taxes for debenture debt and an increase in sewage expenses. The RM indicated the requirement for revised rates was offset by an operating surplus in 2017. The RM has requested that the tipping fees remain the same as those requested for the Whitemouth Wastewater Utility, due to their physical proximity.

The Board issued a Public Notice of Application on June 11, 2018 affording customers the opportunity to comment to both the Board and the RM with respect to the proposed rate increases for all three utilities. This Notice did not include information regarding the current and proposed intermediate water rate (applicable to customers of the Whitemouth Water Utility consuming over 68m³ of water per quarter). Due to this oversight, a revised Public Notice of Application was issued on March 15, 2019. The Board received one response to the second 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, which saves the cost of a public hearing. The Board has reviewed this application and has chosen a paper review process.

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

The rates were calculated using revenue projections and inflation of 2%. The RM's consultant calculated the indicated rates for the final rate year requested (2023) and then calculated a stable and predictable rate change year over year.

The rate application projected deficits for 2019 to 2023 totalling approximately \$40,000. The RM did not include any application to approve these projected operating deficits, nor did it outline the RM's plan to recover these deficits. The rate study indicates the deficits can be absorbed by the Utility while remaining compliant with the Board's requirements for Working Capital Surplus.

	2%	2019	2020	2021	2022	2023
Administration		6,345	6,472	6,602	6,734	6,868
Billing and collection						
Working capital contribution						
Total expenses general		6,345	6,472	6,602	6,734	6,868
Penalties		70	70	70	70	70
Investment income		562	573	585	596	608
Total revenue general		632	643	655	666	678
Net costs general		5,713	5,829	5,947	6,068	6,190
Collection system costs		9,784	9,980	10,180	10,383	10,591
Treatment and disposal costs						
Wages and benefits		1,530	1,561	1,592	1,624	1,656
Amortization expense		35,827	35,827	35,827	35,827	35,827
Contingency (10% of 2023 net revenue requirements less amortization)		1,225	1,225	1,225	1,225	1,225
Amortization of capital grants		-26,475	-26,475	-26,475	-26,475	-26,475
Total expenses wastewater		21,891	22,118	22,349	22,584	22,824
Tipping fees						
Total revenue wastewater		0	0	0	0	0
Net revenue requirement - wastewater		\$21,891	\$22,118	\$22,349	\$22,584	\$22,824

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 RM has included in the rates a contingency allowance of 10% of net rate requirements, less amortization expenses. This equates to \$1,225 built into wastewater rates annually.

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:

	2017
Accumulated Fund Surplus/Deficit	\$ 1,570,577
Deduct tangible capital assets	\$ 1,554,512
Add long term debt	\$ -
Add utility reserves	\$ 46,577
Equals Working Capital Surplus/Deficit	\$ 62,642
Operating costs	\$ 45,228
20% of operating costs (target)	\$ 9,046

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.

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.

The Board approved the Utility's current CAM in Board Order No. 140/10. The RM proposes changing the cost allocation to a percentage basis to more accurately reflect changing costs. The RM's proposed that the allocation for administrative costs be established at 1.5% of General Operating fund, General Government Services (excluding Legal, Assessment, Taxation, Grant and Other Expenses).

4.0 Board Findings

The Board has reviewed the application and revenue projections presented by the RM and finds the projections to be reasonable. The Board will accept the RM's request to "phase in" the rate increases over a five year period and approves the wastewater rates effective July 1, 2019, 2020, 2021, 2022 and 2023 as requested.

The Board finds that allowing the RM's proposal to "phase in" rates over a five year period will result in further deficits; however the Utility has an accumulated surplus to absorb the resulting deficits while remaining compliant with the Board's guidelines.

The Board approves anticipated operating deficits for the years 2019 through 2023 to be absorbed through the Utility Accumulated Surplus. If the actual operating deficits in any given year should exceed the projected deficit amounts by \$5,000 or more, the RM will need to file an application for recovery of the deficit. The projected amounts are as follows:

	2019	2020	2021	2022	2023
Net Operating Deficit with PUB Adjustments:	-14,928	-11,787	-8,111	-4,442	-775

*source tab 7 of the RM's rate study

The Board approves the revised Cost Allocation Methodology as applied.

The Board reminds the RM regular reviews are important for a financially sound utility and encourages the RM 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 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 December 31, 2023.

5.0 IT IS THEREFORE ORDERED THAT:

1. The wastewater rates for the Rural Municipality of Whitemouth – Seven Sisters Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule “A” to this Order, effective July 1, 2019, 2020, 2021, 2022 and 2023.
2. The anticipated utility operating deficits of \$14,928 (2019), \$11,787 (2020), \$8,111 (2021) \$4,442 (2022) and \$775 (2023) projected by the Rural Municipality of Whitemouth - Seven Sisters Wastewater Utility are HEREBY APPROVED to be recovered from the Utility Accumulated Surplus. The Rural Municipality of Whitemouth is required to file a deficit application for any discrepancy greater than \$5,000.
3. The Cost Allocation Methodology for shared services as submitted by the Rural Municipality of Whitemouth BE AND IS HEREBY APPROVED.
4. The Rural Municipality of Whitemouth 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 Rural Municipality of Whitemouth 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 Rural Municipality of Whitemouth review the Seven Sisters 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 December 31, 2023.

Fees payable upon this Order - \$650.00

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

"Carol Hainsworth, C.B.A."

Panel Chair

"Jennifer Dubois, CPA, CMA"

Assistant Associate Secretary

Certified a true copy of Order No. 54/19
issued by The Public Utilities Board



Assistant Associate Secretary

RURAL MUNICIPALITY OF WHITEMOUTH

**WATER AND WASTEWATER UTILITY RATES BY-LAW NO. 681/18
SCHEDULE "A"
SCHEDULE OF QUARTERLY RATES**

WATER RATES:

WHITEMOUTH WATER UTILITY

1. Commodity Charge per Cubic Metre (CM)

	<u>July 1, 2019</u>	<u>July 1, 2020</u>	<u>July 1, 2021</u>	<u>July 1, 2022</u>	<u>July 1, 2023</u>
First 68 CM	\$5.22	\$5.29	\$5.37	\$5.45	\$5.74
Over 68 CM	\$2.86	\$2.89	\$2.93	\$2.97	\$3.05
Bulk rate	\$5.75	\$5.75	\$6.00	\$6.00	\$6.25
Quarterly Service Charge	\$15.04	\$15.34	\$15.65	\$15.96	\$16.28

2. Schedule of Quarterly Rates:

Notwithstanding the Commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charge set out below, which will include water allowances indicated:

Effective July 1, 2019

<u>User Type</u>	<u>Water Included CM</u>	<u>Quarterly Service Charge</u>	<u>Commodity Charges</u>	<u>Minimum Quarterly Bill</u>
Small User	13.5	\$15.04	\$70.47	\$85.52
Large User	68	\$15.04	\$354.96	\$370.01

Effective July 1, 2020

<u>User Type</u>	<u>Water Included CM</u>	<u>Quarterly Service Charge</u>	<u>Commodity Charges</u>	<u>Minimum Quarterly Bill</u>
Small User	13.5	\$15.34	\$71.42	\$86.76
Large User	68	\$15.34	\$359.72	\$375.06

Effective July 1, 2021

<u>User Type</u>	<u>Water Included</u> CM	<u>Quarterly</u> Service Charge	<u>Commodity</u> Charges	<u>Minimum</u> Quarterly Bill
Small User	13.5	\$15.65	\$72.50	\$88.15
Large User	68	\$15.65	\$365.16	\$380.81

Effective July 1, 2022

<u>User Type</u>	<u>Water Included</u> CM	<u>Quarterly</u> Service Charge	<u>Commodity</u> Charges	<u>Minimum</u> Quarterly Bill
Small User	13.5	\$15.96	\$73.58	\$89.54
Large User	68	\$15.96	\$370.60	\$386.56

Effective July 1, 2023

<u>User Type</u>	<u>Water Included</u> CM	<u>Quarterly</u> Service Charge	<u>Commodity</u> Charges	<u>Minimum</u> Quarterly Bill
Small User	13.5	\$16.28	\$77.49	\$93.77
Large User	68	\$16.28	\$390.32	\$406.60

Hydrant Rentals

The Rural Municipality of Whitemouth, or any other hydrant owner, will pay to the Whitemouth Water Utility an annual fee of \$200.00 for each hydrant connected to the system.

WASTEWATER RATES

WHITEMOUTH WASTEWATER UTILITY

1. Commodity Charge per Cubic Metre (CM) based on water consumption

<u>July 1, 2019</u>	<u>July 1, 2020</u>	<u>July 1, 2021</u>	<u>July 1, 2022</u>	<u>July 1, 2023</u>
\$1.75	\$1.75	\$1.85	\$1.85	\$1.90

2. Schedule of Quarterly Rates:

Notwithstanding the Commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charge set out below, which will include water allowances indicated:

Effective July 1, 2019

<u>User Type</u>	Quarterly			
	<u>Water Cons. Included CM</u>	<u>Service Charge</u>	<u>Commodity Charges</u>	<u>Minimum Quarterly Bill</u>
All metered customers	13.5	\$10.82	\$23.63	\$34.45
Unmetered customers*		\$10.82	\$70.00	\$80.82

*flat rate based on 40 CM

Lagoon Tipping Fees

Lagoon tipping fees shall be \$55.00

Effective July 1, 2020

<u>User Type</u>	Quarterly			
	<u>Water Cons. Included CM</u>	<u>Service Charge</u>	<u>Commodity Charges</u>	<u>Minimum Quarterly Bill</u>
All metered customers	13.5	\$11.03	\$23.63	\$34.66
Unmetered customers*		\$11.03	\$70.00	\$81.03

*flat rate based on 40 CM

Lagoon Tipping Fees

Lagoon tipping fees shall be \$55.00

Effective July 1, 2021

Quarterly

<u>User Type</u>	<u>Water Cons. Included CM</u>	<u>Service Charge</u>	<u>Commodity Charges</u>	<u>Minimum Quarterly Bill</u>
All metered customers	13.5	\$11.24	\$24.98	\$36.22
Unmetered customers*		\$11.24	\$74.00	\$85.24

*flat rate based on 40 CM

Lagoon Tipping Fees

Lagoon tipping fees shall be \$60.00

Effective July 1, 2022

Quarterly

<u>User Type</u>	<u>Water Cons. Included CM</u>	<u>Service Charge</u>	<u>Commodity Charges</u>	<u>Minimum Quarterly Bill</u>
All metered customers	13.5	\$11.45	\$24.98	\$36.43
Unmetered customers*		\$11.45	\$74.00	\$85.45

*flat rate based on 40 CM

Lagoon Tipping Fees

Lagoon tipping fees shall be \$60.00

Effective July 1, 2023

Quarterly

<u>User Type</u>	<u>Water Cons. Included CM</u>	<u>Service Charge</u>	<u>Commodity Charges</u>	<u>Minimum Quarterly Bill</u>
All metered customers	13.5	\$11.66	\$25.65	\$37.314
Unmetered customers*		\$11.66	\$76.00	\$87.66

*flat rate based on 40 CM

Lagoon Tipping Fees

Lagoon tipping fees shall be \$60.00

WASTEWATER RATES

SEVEN SISTERS WASTEWATER UTILITY

1. Commodity Charge per Cubic Metre (CM) based on water consumption

<u>July 1, 2019</u>	<u>July 1, 2020</u>	<u>July 1, 2021</u>	<u>July 1, 2022</u>	<u>July 1, 2023</u>
\$0.67	\$0.97	\$1.27	\$1.57	\$1.87

2. Schedule of Quarterly Rates:

Notwithstanding the Commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charge set out below, which will include water allowances indicated:

Effective July 1, 2019

<u>User Type</u>	Quarterly				
	<u>Water Cons. Included CM</u>	<u>Service Charge</u>	<u>Commodity Charges</u>	<u>Minimum Quarterly Bill</u>	
All metered customers	13.5	\$9.33	\$9.05	\$18.38	
Unmetered customers flat rate based on 40 CM			\$9.33	\$9.05	\$18.38

Lagoon Tipping Fees

Lagoon tipping fees shall be \$25.00

Effective July 1, 2020

<u>User Type</u>	Quarterly				
	<u>Water Cons. Included CM</u>	<u>Service Charge</u>	<u>Commodity Charges</u>	<u>Minimum Quarterly Bill</u>	
All metered customers	13.5	\$10.04	\$13.10	\$23.14	
Unmetered customers flat rate based on 40 CM			\$10.04	\$13.10	\$23.14

Lagoon Tipping Fees

Lagoon tipping fees shall be \$30.00

Effective July 1, 2021

Quarterly

<u>User Type</u>	<u>Water Cons. Included CM</u>	<u>Service Charge</u>	<u>Commodity Charges</u>	<u>Minimum Quarterly Bill</u>	
All metered customers	13.5	\$10.75	\$17.15	\$27.90	
Unmetered customers flat rate based on 40 CM			\$10.75	\$17.15	\$27.90

Lagoon Tipping Fees

Lagoon tipping fees shall be \$40.00

Effective July 1, 2022

Quarterly

<u>User Type</u>	<u>Water Cons. Included CM</u>	<u>Service Charge</u>	<u>Commodity Charges</u>	<u>Minimum Quarterly Bill</u>	
All metered customers	13.5	\$11.46	\$21.20	\$32.66	
Unmetered customers flat rate based on 40 CM			\$11.46	\$21.20	\$32.66

Lagoon Tipping Fees

Lagoon tipping fees shall be \$50.00

Effective July 1, 2023

Quarterly

<u>User Type</u>	<u>Water Cons. Included CM</u>	<u>Service Charge</u>	<u>Commodity Charges</u>	<u>Minimum Quarterly Bill</u>	
All metered customers	13.5	\$12.19	\$25.25	\$37.44	
Unmetered customers flat rate based on 40 CM			\$12.19	\$25.25	\$37.44

Lagoon Tipping Fees

Lagoon tipping fees shall be \$60.00

The following clauses take effect July 1, 2019:

3. Billings and Penalties

Accounts shall be billed quarterly based on water used. A late payment penalty charge of 1 ¼% compounded monthly shall be charged on the dollar amount owing after the billing due date. The due date will be at least fourteen (14) days after the mailing of the bills.

4. Liability for Charges

Where charges and penalties pursuant to this by-law are not paid within ninety (90) days from the date when they were incurred, said charges and penalties shall be added to the taxes on the property and collected in the same manner as other taxes 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 manner in which ordinary taxes upon the land are collectible, and with like remedies.

5. Disconnection and Reconnection

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.

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.

6. Water Allowances 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 billings for the last two previous quarters to the same customer, or to the same premises if the occupant has changed.

7. Definitions

Large User: A user that consistently uses at least 68 Cubic Metres of water per quarter. The use will revert to small user if consumption does not meet this criteria for two consecutive quarters.

8. Water Meters

That all water connections be metered. The meter to be supplied by and remain the property of the utility system. The cost of the meter shall be recovered through the water rates.

- a) Meter Repairs -Where a water meter is damaged as a result of negligence of a user, such user shall pay the cost of repairing the damaged meter and the said amount will immediately become a debt due and owing to the Utility within (10) ten days of the demand of same, the water service of said user may be disconnected for repairs. A fee of \$50.00 shall be charged for a reconnection of the service disconnected under this paragraph.
- b) Meter Testing - Any consumer who desires and requests that their water meter be tested for accuracy shall deposit with the utility the sum of \$50.00. If the meter when tested is found to be in excess of the allowable limits, the deposit shall be refunded and the consumer's account shall be adjusted for the preceding four months use. The allowable limit of variation shall be 3% of average flow.

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 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.

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 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 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.

12. Service To Customers Outside Utility's Limits

The Council of Rural Municipality of Whitemouth may sign Agreements with customers for the provision of water 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 Rural Municipality of Whitemouth boundaries. In addition, all costs of connecting to the Utility's mains, and installing and maintaining service connections, will be paid by the customer.

13. 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.