

Order No. 74/19

**MUNICIPALITY OF STE. ROSE
LAURIER WATER & WASTEWATER UTILITY
WATER AND WASTEWATER RATES
EFFECTIVE JULY 1, 2019, 2020, 2021**

May 31, 2019

BEFORE: Carol Hainsworth, C.B.A., Panel Chair
Mike Watson, 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 Ste. Rose (Municipality), Laurier Water and Wastewater Utility (Utility). The existing and approved rates are below:

	Current	July 1, 2019	July 1, 2020	July 1, 2021
Water and wastewater \$/cubic meter	\$4.50	\$4.74	\$4.79	\$4.84
Quarterly Service Charge	\$5.00	\$12.41	\$12.70	\$13.00
Minimum Quarterly Charge*	\$68.00	\$78.77	\$79.76	\$80.76
Quarterly charge 2013 and 2014 deficit recovery***	\$19.16	\$19.16	\$0.00	\$0.00
Quarterly charge 2016 deficit recovery****	\$0.00	\$0.00	\$18.50	\$0.00
Bulk water fee**	\$3.10	\$5.25	\$5.25	\$5.50

*Based on 14 cubic meters

**Based on 1,000 gallons

***Board Order No. 50/18; in effect until December 31, 2019

****Board Order No. 157/18

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 Laurier Utility, a water and wastewater utility serving 86 customers.

Water Supply and Distribution

The Laurier Utility owns and operates a water treatment plant and the water distribution system. The public system was built between 1983 and 1984. Raw water is supplied by two wells installed in 1982 and 1992.

The distribution system consists of 86 connections serving a population of approximately 174 people. There are four (4) fire hydrants in Laurier as well as two (2) flush out valves and a coin operated truck-fill at the water treatment plant (using a bulk water rate).

The water treatment plant is a class I facility and the water distribution system is considered a small system. Laurier collection and wastewater treatment system are also considered small systems. Utility staff have the appropriate certifications.

Wastewater Collection and Treatment

Customers are connected to a low pressure wastewater system which consists of customers having holding tanks which pump liquid waste to a lagoon. Utility customers are responsible to have the tanks emptied once a year followed by flushing water through the system. Historically, there has been no wastewater surcharge applied.

The Utility advises it is compliant with water quality and environmental regulations.

Unaccounted for Water

Unaccounted for water in 2016 was 13.4%, which is higher than the Board's target level of 10%.

3.0 Application

On July 3, 2018, the Board received an application for revised rates from the Municipality for the Laurier Water and Wastewater Utility. The application was accompanied by a rate study completed by the Municipality's consultant and By-law 07-2018 read for the first time on June 20, 2018.

The Municipality states the revised rates are required to provide bring the rates in line with the current costs of the utility.

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.

The Municipality used the following projections to calculate utility rates:

	Rate year 1	Rate year 2	Rate year 3
Administration	3,868	3,945	4,024
Billing and collection	1,102	1,124	1,147
Total expenses general	4,970	5,069	5,171
Penalties	700	700	700
Total revenue general	700	700	700
Net revenue requirement - general	4,270	4,369	4,471
Purification and treatment	23,018	23,478	23,948
Transmission and distribution	4,515	4,605	4,697
Connection costs	3,062	3,124	3,186
Amortization	12,003	12,003	12,003
Reserves	10,000	10,000	10,000
Contingency	2,753	2,808	2,865
Total expenses water and wastewater	55,351	56,018	56,699
Bulk water fees	1,200	1,300	1,400
Total revenue water and wastewater	1,200	1,300	1,400
Net revenue requirement - water and wastewater	54,151	54,718	55,299

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 expenses. This equates to approximately \$2,800 built into water and wastewater rates annually. The rates also include an annual contribution of \$10,000 for utility 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	\$ 170,659
Deduct tangible capital assets	\$ 152,683
Add long term debt	\$ -
Add utility reserves	\$ 19,030
Equals Working Capital Surplus	\$ 37,006
Operating costs	\$ 42,398
20% of operating costs (target)	\$ 8,480

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 Municipality previously applied to the Board for approval of the 2013, 2014 and 2016 operating deficits, requesting recovery by rate rider. The Board approved these deficits on Board Order Nos. 50/18 and 157/18.

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 Municipality has requested that the Board approve an amended CAM consisting of the Utility Clerk salaries and benefits at 15% plus any other actual expenses in tracked increments.

4.0 Board Findings

The Board has reviewed the application and revenue projections presented by the Municipality and finds the projections to be reasonable. The Board grants approval of the revised Cost Allocation Methodology as applied.

The Municipality has failed to provide separated financial information for the water and wastewater operations. The Board accepts this rate application largely due to the delay in processing time. Future rate applications must be submitted with a separate calculation of water and wastewater rates and the Minimum Filing Requirements, or will be rejected by the Board.

The Municipality is experiencing unaccounted for water loss at a level above the acceptable limit of 10%. The Board will require the Municipality to provide a plan to address this in future rate studies.

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 a report with the Board, as well as an application for revised rates if required, on or before December 31, 2022.

5.0 IT IS THEREFORE ORDERED THAT:

1. The water and wastewater rates for the Municipality of Ste. Rose – Laurier Water and Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule “A” to this Order, effective July 1, 2019, 2020, and 2021.
2. The Cost Allocation Methodology for shared services as submitted by the Municipality of Ste. Rose for the Laurier Water and Wastewater Utility BE AND IS HEREBY APPROVED.
3. The Municipality of Ste. Rose 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.
4. The Municipality of Ste. Rose 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.
5. The Municipality of Ste. Rose review Laurier Water and 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, 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

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

"Jennifer Dubois, CPA, CMA"
Assistant Associate Secretary

Certified a true copy of Order No. 74/19
issued by The Public Utilities Board


Assistant Associate Secretary

SCHEDULE "A"
THE MUNICIPALITY OF STE. ROSE WATER AND SEWER RATES
BY-LAW 07-2018

SCHEDULE OF QUARTERLY RATES:

1. <u>Commodity rates per cubic metre</u>	<u>Water</u>	<u>Sewer</u>	<u>Service Charge</u>
All water consumption July 1, 2019	\$4.74	\$0.00	\$12.41
All water consumption July 1, 2020	\$4.79	\$0.00	\$12.70
All water consumption July 1, 2021	\$4.84	\$0.00	\$13.00

2. Minimum Charges Quarterly

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

(a) Water and Sewer Customers

July 1 2019, 2020, and 2021

01-Jul-19						
Meter Size (Inches)	Group Capacity Ratio	Minimum Quarterly Consumption (m3)	Service Charge	Water	Sewer	Minimum Quarterly Charges
5/8	1	14	\$12.41	\$66.36	\$0.00	\$78.77
3/4	2	27	\$12.41	\$127.98	\$0.00	\$140.39
1	4	55	\$12.41	\$260.70	\$0.00	\$273.11
1 1/2	10	140	\$12.41	\$663.60	\$0.00	\$676.01
2	25	341	\$12.41	\$1,616.34	\$0.00	\$1,628.75
3	45	614	\$12.41	\$2,910.36	\$0.00	\$2,922.77
4	90	1227	\$12.41	\$5,815.98	\$0.00	\$5,828.39
6	170	2319	\$12.41	\$10,992.06	\$0.00	\$11,004.47

01-Jul-20						
Meter Size (Inches)	Group Capacity Ratio	Minimum Quarterly Consumption (m3)	Service Charge	Water	Sewer	Minimum Quarterly Charges
5/8	1	14	\$12.70	\$67.06	\$0.00	\$79.76
3/4	2	27	\$12.70	\$129.33	\$0.00	\$142.03
1	4	55	\$12.70	\$263.45	\$0.00	\$276.15
1 1/2	10	140	\$12.70	\$670.60	\$0.00	\$683.30
2	25	341	\$12.70	\$1,633.39	\$0.00	\$1,646.09
3	45	614	\$12.70	\$2,941.06	\$0.00	\$2,953.76
4	90	1227	\$12.70	\$5,877.33	\$0.00	\$5,890.03
6	170	2319	\$12.70	\$11,108.01	\$0.00	\$11,120.71

01-Jul-21						
Meter Size (Inches)	Group Capacity Ratio	Minimum Quarterly Consumption (m3)	Service Charge	Water	Sewer	Minimum Quarterly Charges
5/8	1	14	\$13.00	\$67.76	\$0.00	\$80.76
3/4	2	27	\$13.00	\$130.68	\$0.00	\$143.68
1	4	55	\$13.00	\$266.20	\$0.00	\$279.20
1 1/2	10	140	\$13.00	\$677.60	\$0.00	\$690.60
2	25	341	\$13.00	\$1,650.44	\$0.00	\$1,663.44
3	45	614	\$13.00	\$2,971.76	\$0.00	\$2,984.76
4	90	1227	\$13.00	\$5,938.68	\$0.00	\$5,951.68
6	170	2319	\$13.00	\$11,223.96	\$0.00	\$11,236.96

3. Bulk Sales Rate

All water sold in bulk by the Municipality of Ste. Rose shall be charged for at the rate of \$5.25 (July 1, 2019), and \$5.50 (July 1, 2021) per 1,000 litres on a pro-rated basis for all quantities greater than 500 litres.

4. Service to Customers Outside Municipality, Town, or L.I.D. Limits

The Council of the Municipality of Ste. Rose may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the LID #1 – Laurier. 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 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 these boundaries. In addition, all costs of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

5. Billings and Penalties

A late payment charge of 1 ¼ % shall be charged on the dollar amount owing after the billing due date. The due date will be at least fourteen days after the mailing of the bills.

6. Disconnection

The Public Utilities Board has approved the Conditions Precedent to be followed by the Municipality with respect to the 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 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 \$50.00 have been paid.

8. Outstanding Bills

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

9. Hydrant Rentals

The LID #1 – Laurier will pay to the utility and annual rental of \$50.00 for each hydrant connected to the system.

10. 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 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.