

Order No. 82/19

**MUNICIPALITY OF WESTLAKE-GLADSTONE
GLADSTONE WATER AND WASTEWATER UTILITY
REVISED RATES FOR JANUARY 1, 2020, 2021, AND 2022**

June 18, 2019

**BEFORE: Irene Hamilton, Panel Chair
Mike Watson, Member**

Table of Contents

1.0	Executive Summary.....	3
2.0	Background	4
	Water Supply/Distribution	4
	Unaccounted for Water	4
	Wastewater Collection/Treatment.....	5
3.0	Application.....	5
	Working Capital Surplus/Deficit	8
	Cost Allocation Methodology	9
	Contingency Allowance and Utility Reserves.....	11
4.0	Board Findings	11
5.0	IT IS HEREBY ORDERED THAT:.....	13
	SCHEDULE A.....	15

1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves the revised water and wastewater rates for the Municipality of WestLake-Gladstone (Municipality), Gladstone Water and Wastewater Utility (Utility), effective January 1, 2020, 2021 and 2022.

The approved rates are as follows:

	Current By- Law 7-2011	January 1, 2020	January 1, 2021	January 1, 2022
Quarterly Service Charge	\$ 20.48	\$ 18.74	\$ 17.00	\$ 15.25
Water (per 1,000 gallons)	\$ 10.39	\$ 12.19	\$ 13.99	\$ 15.78
Wastewater (per 1,000 gallons)	\$ 4.88	\$ 4.88	\$ 4.88	\$ 4.89
Minimum Quarterly Charge*	\$ 66.29	\$ 69.95	\$ 73.61	\$ 77.26
Wastewater Only Customers**	\$ 49.76	\$ 57.78	\$ 56.04	\$ 54.37
Bulk Water Sales (per 1,000 gallons)	\$ 17.22	\$ 22.00	\$ 22.00	\$ 22.00

*Based on 3,000 gallons

**Current rates based on 6,000 gallons, revised rates based on 8,000 gallons.

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

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

2.0 Background

The Municipality owns and operates a water and wastewater utility serving 412 customers as of 2018 and all calculations assume this number to remain static for all future years. 400 water customers are metered, 12 water customers are unmetered, and utility bills are sent out on a quarterly basis, separate from the property tax bills.

On July 6, 2012, Board Order No. 82/12 approved water and wastewater rates for 2012 and 2013, effective April 1 in each of those years. At that time, the Board also Ordered the Municipality to prepare and submit an application for revised water and wastewater rates for 2014 on or before September 30, 2013.

Water Supply/Distribution

The Municipality purchases its water from the Yellowhead Regional Utility Line. Water lines were installed in 1959 and the Municipality estimates approximately 80% of the lines have been replaced over the last 16 years. There are currently no plans for significant expansions.

Unaccounted for Water

The acceptable percentage of unaccounted water is 10%. If the percentage is above this amount, the applicant is to explain why and provide a plan to remedy.

The Municipality's unaccounted for water is estimated at 13.2% as of 2017. This amount of unaccounted for water is primarily due to water used at the Municipality's campground and swimming pool not currently being included in metered readings and therefore neither have been billed for their water consumption to date. The Municipality intends to install meters to record water used in order to bill these facilities accordingly.

Wastewater Collection/Treatment

The Utility operates a three-cell lagoon system. Two cells were constructed in 1959 and the third was constructed in 1982. The lagoons have not been de-sludged since they were built and it is anticipated the first cell will have to be partially de-sludged in 2019.

3.0 Application

On January 25, 2019, the Municipality applied for revised water and wastewater rates, to be effective January 1, 2020, January 1, 2021, and January 1, 2022, as set out in By-Law No. 2019-01, having had first reading January 19, 2019. The application was supported by a rate study prepared by the Municipality's consultant. Rates were last approved in 2012 in Board Order No. 82/12.

A Public Notice of Application was issued on February 7, 2019 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the Municipality on or before March 9, 2019.

When reviewing an application, the Board has at its disposal two approaches, either a paper or a public hearing review. After the publication of the Notice of Application, the Board considers the application and stakeholder responses, 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 process. Given the Board has not been advised of any issues/complaints, the Board has chosen a paper review process for this application.

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

**Schedule of Utility Rate Requirements – Gladstone Water and Wastewater Utility
2020 to 2022 Budget Forecasts (\$)**

	2020	2021	2022
	Forecast		
General Expenses			
Administration	32,803	33,459	34,128
Total General Expenses	32,803	33,459	34,128
Revenue			
Penalties	2,000	2,000	2,000
Other Income	7,000	7,000	7,000
Total General Revenues	9,000	9,000	9,000
Net Costs - General	23,803	24,459	25,128
Water Expenses			
Purification and Treatment	3,121	3,184	3,247
Water Purchases	167,443	170,792	174,208
Transmission and Distribution	43,177	44,040	44,921
Service of Supply	15,606	15,918	16,236
Amortization	79,405	78,233	78,233
Interest on Long-Term Debt	13,346	11,148	10,089
Total Water Expenses	322,098	323,315	326,935
Revenue			
Bulk Water Fees	4,500	4,500	4,500
Hydrant Rentals (52 @ \$75)	3,900	3,900	3,900
Total Water Revenue	8,400	8,400	8,400
Net Costs – Water	313,698	314,915	318,535
Wastewater Expenses			
Collection System	12,485	12,735	12,990
Treatment and Disposal	7,178	7,321	7,468
Lift Station	10,404	10,612	10,824
Other Wastewater and Disposal	4,080	4,162	4,245
Amortization	34,260	34,260	34,260
Interest on Long-Term Debt	13,346	11,148	10,089
Total Wastewater Expenses	81,753	80,238	79,876
Revenue			
Lagoon Tipping Fees	7,000	7,000	7,000
Net Costs - Wastewater	74,753	73,238	72,876

Water and Wastewater Billing Revenues			
Water and Wastewater Billings	309,625	336,603	365,556
Property Taxes			
Transfer from General Ops. - Water	134,770	76,946	76,946
Capital Grant Amortization			
Water	15,461	15,461	15,461
Wastewater	11,508	11,508	11,508
Total Amortization of Capital	26,969	26,969	26,969
Net Operating Surplus/(Deficit) w/PUB Adjustments	59,110	27,906	50,932
Transfers			
Transfers from/(to) Utility Reserve	(25,000)	(25,000)	(25,000)
Change in Utility Fund Balance After Transfers	34,110	2,906	25,932
Reverse PUB Adjustments to Adjust to Public Sector Accounting Board			
Deduct Amortization of Capital Grants	(26,969)	(26,969)	(26,969)
Fund Surplus – Beginning of Year	3,636,262	3,643,403	3,619,340
Fund Surplus – End of Year	3,643,403	3,619,340	3,318,303

The proposed utility rate increases are primarily required due to increases in water costs, debenture debt interest expenses and net amortization expenses resulting from capital projects, and an increase in annual transfers to the Utility Reserve Fund.

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 2017 audited financial statements, the most recent information available, the working capital surplus at December 31, 2017 was:

	2017
Fund Surplus/Deficit	\$2,428,022
Deduct Tangible Capital Assets	(\$2,429,403)
Add Long-Term Debt	\$198,193
Add Utility Reserves	\$107,296
Equals Working Capital (Deficit)	\$304,108
Operating Expenses	\$356,767
20% of Operating Expenses (Target)	\$71,353

The Utility currently meets the Board's minimum working capital surplus of 20% of annual expenses.

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 Municipality proposes the percentage of time be used for allocating the administrative wages and percentage of supplies and activities be charged as follows:

Municipality of WestLake-Gladstone – Gladstone Water and Wastewater Utility Allocation Plan for Non-Direct Shared Services (see Note 1) as at January, 2019			
Category	Sub-category	Options	
1.0	Administrative Staff		4% of general legislative expenses excluding assessment and grant expenses.
	1.1 Billing services – meter reading to receipting and collection.		Meter reading – Part of Utility staff expense; receipting and collection part of Admin staff allocation.
	1.2 Accounting/ auditing/ including bylaw making and enforcement.		4% of audit costs
	1.3 Common office space		4% of office costs and utilities
	1.4 Office overheads (telephone, photocopier, computer, etc.)		4% of printing, postage, and stationery
2.0	Operating, construction and maintenance costs		
	2.1 Vehicle – fuel, maintenance, lease costs, capital costs		No vehicle fuel or maintenance costs are charged to the Utility.
	2.2 Labor – full time, part time, on call, sick time, vacation (see Note 2)		Public Works and Utility staff are recorded on time sheets and time spent is charged to the Utility.
	2.3 Public works building and property.	Costs that could be charged to the Utility are minimal and at present nothing is allocated to the Utility	There is no charge to the Utility for the Public Works building.
	2.4 Road repairs and alike (see Note 3)	Based on actual costs	-

3.0 Major projects			
	Interest/ financing		-
	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.)

Contingency Allowance and Utility Reserves

As per the Board's Guidelines, an annual allowance equal to 10% of the variable operating costs is recommended for a contingency allowance. This equates to \$23,021 for water and \$2,853 for wastewater.

The Municipality is proposing to increase the annual transfer to Utility Reserve from \$20,000 to \$25,000 as of January 1, 2020 to provide for future capital projects. These projects include lagoon de-sludging and replacement of aging water and wastewater lines.

4.0 Board Findings

The Board has reviewed the application and the projections presented by the Municipality in its rate application and finds them to be reasonable. The Board approves the water and wastewater rates as applied for, but varies the effective dates to January 1, 2020, January 1, 2021, and January 1, 2022.

The Board approves the revised cost allocation methodology and reminds the Municipality that this methodology must be used consistently. Any changes to the new, revised cost allocation methodology require Board approval.

The Board has reviewed the Municipality's request to increase the annual transfer to the Utility Reserve from \$20,000 to \$25,000 and finds it to be reasonable.

The Board requires the Municipality to review its water and wastewater rates for the Utility for adequacy and file a report with the Public Utilities Board or an application for revised rates on or before December 31, 2022.

The Board reminds the Municipality that regular reviews of utility rates are required to ensure rates are adequate to recover the costs of service being provided to its customers. Should the Board order a review of water and/or wastewater rates and should the Municipality determine the existing rates to be adequate, the Municipality may file a Statement of Rate Adequacy with the Board in lieu of a full rate study. This should include a completed PUB Schedule 9, calculation and forecast of the utility's Working Capital Surplus position, a letter stating the existing utility rates are adequate, and Council Resolution confirming the adequacy of the utility rates.

.

5.0 IT IS HEREBY ORDERED THAT:

1. The revised water rates for the Municipality of WestLake-Gladstone, Gladstone Water and Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule A, effective January 1, 2020, January 1, 2021, and January 1, 2022.
2. The cost allocation methodology for shared services as submitted by the Municipality of WestLake-Gladstone BE AND IS HEREBY APPROVED.
3. The Municipality of WestLake-Gladstone is to provide a notice of the decisions found in this Order to its customers as soon as possible, with a copy provided to the Public Utilities Board.
4. The Municipality of WestLake-Gladstone amend its water 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 WestLake-Gladstone review its water and wastewater rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates, by no later than December 31, 2022.

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 - \$500.00

THE PUBLIC UTILITIES BOARD

"Irene Hamilton"
Panel Chair

"Jennifer Dubois, CPA, CMA"
Assistant Associate Secretary

Certified a true copy of Order No. 82/19 issued by
The Public Utilities Board


Assistant Associate Secretary

SCHEDULE A

MUNICIPALITY OF WESTLAKE-GLADSTONE GLADSTONE WATER AND WASTEWATER UTILITY WATER & WASTEWATER UTILITY RATES BY-LAW NO. 2019-01 SCHEDULE OF QUARTERLY RATES

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2020

Rates per 1,000 Gallons

1,000 Gallons per quarter

Water	Wastewater	Water & Wastewater
\$12.19	\$4.88	\$17.07

Quarterly Service Charge \$18.74

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 & Wastewater Customers

<u>Meter Size</u>	<u>Water Included Gallons</u>	<u>Customer Service Charge</u>	<u>Water Commodity Charge</u>	<u>Wastewater Commodity Charge</u>	<u>Water & Wastewater Total Quarterly Minimum</u>
5/8 inch	3,000	\$18.74	\$36.57	\$14.64	\$69.95
¾ inch	6,000	\$18.74	\$73.14	\$29.28	\$121.16
1 inch	12,000	\$18.74	\$146.28	\$58.56	\$223.58
1 ½ inch	30,000	\$18.74	\$365.70	\$146.40	\$530.84
2 inch	75,000	\$18.74	\$914.25	\$366.00	\$1,298.99

b) Water Only Customers

The minimum charge will be the same for each meter size as shown above, but the Wastewater Commodity Charge will be excluded.

c) Wastewater Only for Residential Customers

The Wastewater only charge is based on average quarterly consumption of 8,000 gallons plus the quarterly customer service charge.

The quarterly charge for wastewater only customers is $(8 * \$4.88) + \$18.74 = \$57.78$.

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2021

Rates per 1,000 Gallons

1,000 Gallons per quarter

Water	Wastewater	Water & Wastewater
\$13.99	\$4.88	\$18.87

Quarterly Service Charge \$17.00

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 & Wastewater Customers

Meter Size	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Wastewater Commodity Charge	Water & Wastewater Total Quarterly Minimum
5/8 inch	3,000	\$17.00	\$41.97	\$14.64	\$73.61
¾ inch	6,000	\$17.00	\$83.94	\$29.28	\$130.22
1 inch	12,000	\$17.00	\$167.88	\$58.56	\$243.44
1 ½ inch	30,000	\$17.00	\$419.70	\$146.40	\$583.10
2 inch	75,000	\$17.00	\$1,049.25	\$366.00	\$1,432.25

b) Water Only Customers

The minimum charge will be the same for each meter size as shown above but the Wastewater Commodity Charge will be excluded.

c) Wastewater Only for Residential Customers

The Wastewater only charge is based on average quarterly consumption of 8,000 gallons plus the quarterly customer service charge.

The quarterly charge for wastewater only customers is $(8 * \$4.88) + \$17.00 = \$56.04$.

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2022

Rates per 1,000 Gallons

1,000 Gallons per quarter

	Water	Wastewater	Water & Wastewater
	\$15.78	\$4.89	\$20.67

Quarterly Service Charge \$15.25

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 & Wastewater Customers

<u>Meter Size</u>	<u>Water Included Gallons</u>	<u>Customer Service Charge</u>	<u>Water Commodity Charge</u>	<u>Wastewater Commodity Charge</u>	<u>Water & Wastewater Total Quarterly Minimum</u>
5/8 inch	3,000	\$15.25	\$47.34	\$14.67	\$77.26
¾ inch	6,000	\$15.25	\$94.68	\$29.34	\$139.27
1 inch	12,000	\$15.25	\$189.36	\$58.68	\$263.29
1 ½ inch	30,000	\$15.25	\$473.40	\$146.70	\$635.35
2 inch	75,000	\$15.25	\$1,183.50	\$366.75	\$1,565.50

b) Water Only Customers

The minimum charge will be the same for each meter size as shown above but the Wastewater Commodity Charge will be excluded.

d) Wastewater Only for Residential Customers

The Wastewater only charge is based on average quarterly consumption of 8,000 gallons plus the quarterly customer service charge.

The quarterly charge for wastewater only customers is $(8 * \$4.89) + \$15.25 = \$54.37$.

The following clauses take effect January 1, 2020:

3. Bulk Water

All water sold in bulk shall be charged for a rate of \$22.00 per 1,000 gallons.

4. Lagoon Dumping Fee

The Lagoon dumping fee is set at \$25.00 per truck up to 3,000 gallons per load.

5. Service To Customers Outside Utility's Limits

The Council of Municipality of WestLake-Gladstone may sign Agreements with customers for the provision of water and wastewater services to properties located outside the boundaries of Grandview. 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 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 Grandview'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.

6. Billings And Penalties

Accounts shall be billed quarterly based on water used. A late payment penalty 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.

7. 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 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. Liability for Charges

Pursuant to section 252(2) of *The Municipal Act*, the amount of all outstanding charges for water and wastewater 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.

9. Hydrant Charges

The Municipality of WestLake-Gladstone shall pay to the Utility an annual hydrant charge of \$75.00 for each hydrant connected to the Gladstone Utility.

10. 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 the 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.

11. Wastewater 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.

12. 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 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.

13. Change in Meter Size

A customer may upon application to the Municipal Council, be granted a change in water meter size so as to more accurately reflect the required consumption of water throughout the year. However, if for some reason that same customer applies for a reversal involving a water meter change back to the original size, that customer then must pay for all costs pertaining to the reversal plus a fee of \$25.00

14. Meter Tampering

Where there is evidence of meter tampering a minimum charge of \$500.00 will be applied to the customer's account in addition to an amount calculated to adjust for the tampering based on historical usage.

15. 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.

16. Conditions of Disrepair

In the event that there are conditions of disrepair in the wastewater 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.

17. 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.