

**Order No. 30/20**

**RURAL MUNICIPALITY OF MOUNTAIN  
MAFEKING WATER UTILITY  
REVISED RATES FOR APRIL 1, 2020, JANUARY 1, 2021, AND JANUARY 1, 2022**

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**FEBRUARY 24, 2020**

BEFORE: Shawn McCutcheon, Panel Chair  
Mike Watson, Panel Member

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## 1.0 Executive Summary

By this Order, the Public Utilities Board (Board) varies revised water rates for the Rural Municipality of Mountain (RM), Mafeking Water Utility (Utility) and varies the effective dates to April 1, 2020, January 1, 2021, and January 1, 2022.

The approved rates are as follows:

	<b>Current By-Law 02/18</b>	<b>April 1, 2020</b>	<b>January 1, 2021</b>	<b>January 1, 2022</b>
Quarterly Service Charge	\$27.78	\$37.70	\$38.85	\$40.00
Water Rates (per REU)	\$104.81	\$160.30	\$174.11	\$187.99
Minimum Quarterly Charge*	\$132.59	\$198.00	\$212.96	\$227.99
Bulk Water (per 1,000 gallons)	\$20.00	\$24.00	\$24.00	\$24.00
Bulk Water (per gallon)	\$0.25	-	-	-
Metered Rates (per cubic meter)	\$6.08	-	-	-

\*Based on 1 Residential Equivalency Unit (REU)

The Board also approves the revised REU Assignments, effective April 1, 2020, as follows:

	Existing REU Assignments		Revised REU Assignments	Number of Customers	Total REUs
Residential	1		1	60	60
Canada Post	1		1.5	1	1.5
Gas and Grocery	2		2	1	2
Fire Hall	4		3	1	3
Legion	5		3	1	3
Mil's Grill	4		3	1	3
Manitoba Infrastructure	5		4	2	8
<b>Total</b>				<b>67</b>	<b>80.5</b>

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 RM owns and operates the Utility that provides water services to 67 customers and a total of 80.5 REUs. Rates were last finalized for the Utility in 2017 in Board Order No. 110/17 and varied in Board Order No. 23/18.

One REU is the estimate of the volume of water used by the average single-family residence. Units allocated to non-residential customers are based on estimated consumption, as compared to a residence. REUs are used in communities with unmetered distribution and collection system, where information regarding actual consumption is unavailable.

A deficit was last approved by the Board in Board Order No. 84/19 in the amount of \$2,688 for 2017 and were recovered from the RM's Accumulated Surplus. A 2014 Deficit of \$8,769 was also approved in Board Order No. 110/17 and Varied in Board Order No. 23/18 to be recovered by a Rate Rider of \$10.91 per customer per quarter for three years, effective April 1, 2018.

### Water Supply/Distribution

The water distribution system consists of two wells including a primary and a stand-by well (constructed in 1991 and 1992 respectively), a water treatment plant, and distribution system. The water treatment plant is a Class 1 facility and the distribution system is made of polyvinyl chloride (PVC) pipeline. The Utility obtains raw water from a primary groundwater supply well and a standby well.

### Unaccounted for Water

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

The RM has purchased meters, but advised to date they have not been installed due to strong opposition from customers against their installation. The system is therefore still unmetered and unaccounted for water can not be calculated. The RM advises, however, from observing day-to-day operations, it does not believe water losses are significant.

### **3.0 Application**

On August 9 2019, the RM applied for revised water rates, to be effective January 1, 2020, January 1, 2021, and January 1, 2022 as set out in By-Law No. 10/19 having had first reading July 10, 2019. The application was supported by a rate study prepared by the RM's consultant.

A Public Notice of Application was issued on August 19, 2019 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the RM on or before September 2019.

Pursuant to the Public Notice the RM received a petition signed by 47 individuals noting:

- The requested rates are a substantial increase and are becoming unaffordable.
- Most homeowners are on a fixed monthly, pension income.
- A request for a meeting to discuss options and why rates have become so high.
- That customers may revert to well systems to provide water versus the Utility.

The RM has advised it attempted to contact the petitioner to meet and discuss options and why the proposed rate increases are required. The RM has further advised that no response has been received from the petitioner.

When reviewing an application the Board can either: hold a public hearing at which the applicant can present its case and customers can present their concerns; or where it is deemed to be in the best interests of a utility and its customers, the Board can review the application using a paper review process without holding a public hearing. The paper review process considers all written materials submitted by the Utility and the public, as well as any information requests and responses between the Board and the Utility. This process may reduce regulatory costs to the Utility.

A public hearing process allows the Utility and the public the opportunity to review the application and address any concerns with the Board present.

Whenever reasonable, the board will review the application using a paper review process, which saves the cost of a public hearing process.

The Board has chosen a paper review process for the RM's application.

The rates were calculated based on the following projections using an annual inflation rate of 3% in all calculations:

<b>Schedule of Utility Rate Requirements – Mafeking Water Utility 2020 to 2022 Budget Forecasts (\$)</b>			
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>Forecast</b>		
<b>General Expenses</b>			
Administration	10,300	10,609	10,927
Total General Expenses	10,300	10,609	10,927
<b>Revenue</b>			
Penalties	200	200	200
Total General Revenues	200	200	200
<b>Net Costs General</b>	<b>10,100</b>	<b>10,409</b>	<b>10,727</b>
<b>Water Expenses</b>			
Staffing	16,480	16,974	17,484
Purification and Treatment	6,540	6,736	6,938
Service of Supply	10,506	10,821	11,146
Other Water Supply Costs	850	850	850
Amortization	13,074	13,074	13,074
Reserves	10,000	10,000	10,000
Contingency	5,540	5,540	5,540
Total Water Expenses	62,990	63,995	65,032
<b>Revenue</b>			
Connection Revenue	200	200	200
Hydrant Rentals	900	900	900
Total Water Revenue	1,100	1,100	1,100
<b>Net Water Costs</b>	<b>61,890</b>	<b>62,895</b>	<b>63,932</b>
<b>Net Operating Costs</b>	<b>71,990</b>	<b>73,304</b>	<b>74,659</b>

Inadequate Utility rates have resulted in past operating deficits. The proposed Utility rate increases are necessary to provide adequate income to recover all of the costs required to operate the Utility.

### **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 a contingency allowance.

The RM has included a contingency allowance of \$5,540 representing 1% of the original capital cost of the water system. The RM has also included a new reserve allowance of \$10,000 for future replacement of capital.

### 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 2018 Audited Financial Statements, the most recent information available, the working capital surplus for the Utility at December 31, 2018 was:

	2018	2017
Utility Fund Surplus/Deficit	\$349,098	\$355,144
Deduct: Tangible Capital Assets	314,384	327,455
Add: Long-Term Debt	-	-
Add: Utility Reserves	47,634	50,110
<b>Equals Working Capital Surplus (Deficit)</b>	<b>\$82,348</b>	<b>\$77,799</b>
Operating Expenses	59,639	51,981
<b>20% of Operating Expenses (Target)</b>	<b>\$11,928</b>	<b>\$10,396</b>

The Utility currently exceeds the Board minimum working capital surplus of 20%.

### 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 advises no changes are being proposed to the existing Cost Allocation Methodology previously approved in Board Order No. 144/13 as follows:

	% of Costs Charged to Utility
Clerk and Other Staff	2.5
Office	2.5
Legal	2.5
Audit	2.5

#### 4.0 Board Findings

The Board has reviewed the application and the projections presented by the RM in its rate study. The Board has also considered the petition presented by the 47 Utility stakeholders.

The Board finds the calculation used by the RM's consultant for the contingency allowance (1% of the historical capital cost of the Utility System) inconsistent with the Board's Water and Wastewater Rate Application Guidelines. The Board reminds the RM a yearly allowance equal to 10% of the Utility's variable costs is the Board recommended practice for calculating a utility's contingency allowance. The Board recommends the RM review the most recent Public Utilities Board of Manitoba Guidelines prior to filing its next application.

The Board therefore varies the RM's contingency allowance, using 10% of the Utility's variable costs to \$3,438 for 2020, \$3,539 for 2021, and \$3,642 for 2022.

The Board also varies the reserve allowance to \$3,330 for 2020, \$6,670 for 2021, and \$10,000 for 2022.

The Board notes the above-noted variances to the contingency and reserve allowances are intended to reduce costs to ratepayers and smooth the new reserve allowance expense over the three years of the requested revised rates, while maintaining the financial wellbeing of the Utility.

Based on the above-noted variances, the Board varies the water rates to \$160.30 per REU for 2020, \$174.11 per REU for 2021, and \$187.99 for 2022. The Board also varies the effective dates to April 1, 2020, January 1, 2021, and January 1, 2022 in-keeping with the Utility's quarterly billing cycle.

The Board approves a bulk water rate of \$24.00 per 1,000 gallons, effective April 1, 2020. The Board notes this rate is not consistent with the calculated bulk rate requirement provided by the RM's consultant, however, this rate has been chosen to be consistent with the RM's other utility the Birch River Water and Wastewater Utility.

The Board notes no changes to the RM's existing Cost Allocation Methodology and reminds the RM this methodology must be used consistently; any changes to the Cost Allocation Methodology require Board approval.

The Board requires the RM to review its water rates for the Utility for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates (if required) on or before December 31, 2022.

The Board notes, according to the RM's 2018 Audited Financial Statements, the RM has incurred an operating deficit in 2018. The Board directs the RM to the Board with a Deficit Application and recovery methodology for the operating deficit incurred in 2018 by April 30, 2020.

The Board reminds the RM the water meters are a capital asset and must be properly amortized as per Generally Accepted Accounting Principles. The Board also notes that it supports the use of water meters over Residential Equivalency Units as it allows for fairness in water billing, as all customers are then only billed for the water they are using. Water meters also encourage water conservation and the detailed tracking of unaccounted for water to reduce water loss.

## **5.0 IT IS HEREBY ORDERED THAT:**

1. The revised water rates for the Rural Municipality of Mountain, Mafeking Water Utility, BE AND ARE HEREBY VARIED in accordance with the attached Schedule A, effective April 1, 2020, January 1, 2021, and January 1, 2022.
2. The Rural Municipality of Mountain 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.
3. The Rural Municipality of Mountain 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.
4. The Rural Municipality of Mountain review its water rates for the Mafeking Water Utility for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates if required, by no later than December 31, 2022.
5. The Rural Municipality of Mountain file a Deficit Application and recovery methodology for all outstanding deficits for the Mafeking Water Utility by April 30, 2020.

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](http://www.pubmanitoba.ca).


Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

"Shawn McCutcheon"  
Panel Chair

"Frederick Mykytyshyn"  
Assistant Associate Secretary

Certified a true copy of Order No. 30/20  
issued by The Public Utilities Board

  
Frederick Mykytyshyn  
Assistant Associate Secretary

**SCHEDULE A****RURAL MUNICIPALITY OF MOUNTAIN – LUD OF MAFEKING  
MAFEKING WATER UTILITY  
WATER UTILITY RATES BY-LAW NO. 10/19**1. Schedule of Quarterly Rates**April 1, 2020**

All customers will pay the applicable minimum charges set out below, which includes the water allowance listed.

REU's	Quarterly Service Charge	Water Charge	Total Quarterly Charge
1	\$37.70	\$160.30	\$198.00
1.5	\$37.70	\$240.45	\$278.15
2	\$37.70	\$320.60	\$358.30
3	\$37.70	\$480.90	\$518.60
4	\$37.70	\$641.20	\$678.90
10	\$37.70	\$1,603.00	\$1,640.70

2. Bulk Water Sales

The charge for bulk water shall be at the rate of \$24.00 per thousand gallons of water.

1. Schedule of Quarterly Rates**January 1, 2021**

All customers will pay the applicable minimum charges set out below, which includes the water allowance listed.

REU's	Quarterly Service Charge	Water Charge	Total Quarterly Charge
1	\$38.85	\$174.11	\$212.96
1.5	\$38.85	\$261.17	\$300.02
2	\$38.85	\$348.22	\$387.07
3	\$38.85	\$522.33	\$561.18
4	\$38.85	\$696.44	\$735.29
10	\$38.85	\$1,741.10	\$1,779.95

2. Bulk Water Sales

The charge for bulk water sales shall be at the rate of \$24.00 per thousand gallons of water.

1. Schedule of Quarterly Rates**January 1, 2022**

All customers will pay the applicable minimum charges set out below, which includes the water allowance listed.

REUs	Quarterly Service Charge	Water Charge	Total Quarterly Charge
1	\$40.00	\$187.99	\$227.99
1.5	\$40.00	\$281.99	\$321.99
2	\$40.00	\$375.98	\$415.98
3	\$40.00	\$563.97	\$603.97
4	\$40.00	\$751.96.	\$791.96.
10	\$40.00	\$1,879.90	\$1,919.90

2. Bulk Water Sales

The charge for bulk water sales shall be at the rate of \$24.00 per thousand gallons of water.

**The following clauses take effect January 1, 2020:**3. Deficit Recovery

In accordance with PUB Order No. 110/17 and No. 23/18 a rate rider for deficit recovery which states: The actual 2014 operating deficit, when calculated for regulatory purposes, totaling \$8,769 incurred in the Rural Municipality of Mountain, L.U.D. of Mafeking Water Distribution Utility is HEREBY APPROVED to be recovered by a rate rider of \$10.91 per customer, per quarter for a period of three (3) years, commencing April 1, 2018.

4. Service to Customers Outside L.U.D. of Mafeking Limits

The Council of the Municipality of Mountain may sign agreements with customers for the provision of water and wastewater services to properties located outside the legal boundaries of the L.U.D. of Mafeking. 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 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 twenty (20) days after the mailing of the bills.

6. Disconnections

The Public Utilities Board has approved the Conditions Precedent to be followed by the Rural 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 Rural 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 \$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 wastewater services, including fines and penalties, 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. Where charges and penalties pursuant to this By-Law are not paid within sixth (60) 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.

9. Hydrant Rentals

An annual charge of one hundred dollars (\$100.00) per hydrant shall be made by the said utility to the L.U.D. of Mafeking for fire protection services, which annual charge shall include water used.

10. 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 Rural Municipality's water system.

If a condition is found to exist which, in the opinion of the Rural Municipality, is contrary to the aforesaid, the Rural Municipality may either:

- Shut off the service or services; or
- Give notice to the customer to correct the fault at his or her own expenses within a specified time period. If the customer fails to comply with such notice the Rural Municipality shall proceed in accordance with Clause 1 of this section.

11. Authorization for Officer to Enter Upon Premises

The Designated Officer, or other employee authorized by the Rural Municipality shall be authorized to enter upon any premises 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 Rural Municipality.

12. Actual Turn Off/On of Water Service

That the charge for physically turning on a water service shall be \$50.00. Connections or disconnections completed after hours, weekends, or emergency call outs shall be subject to a water turn off/on fee of \$50.00

13. New Connections to the Utility System

Any residents of the L.U.D. of Mafeking that are not connected to the utility system, but wish to connect will be responsible for any fees and permits associated with such a connection.



14. REU Table

The RM of Mountain hereby establishes the following non-residential REU multiples:

Residential 1 REU	Commercial 1.5 REUs	Commercial II 2 REUs	Commercial III 3 REUs	Commercial IV 4 REUs	School 10 REUs
All Residential Properties, including churches	Non Residential properties that do not have public washroom facilities or do not require water for business purposes	Non Residential properties with public washroom facilities, but do not require water for business purposes or vice versa	Non Residential properties with public washroom facilities, require water for business purposes or are considered a public facility	Non Residential properties that are considered to be of an industrial nature	Birch River School
Residential Properties	Canada Post	Mafeking Gas & Grocery	Restaurants	Manitoba Infrastructure Office	Birch River School
Churches	Nutrien Ag Solutions	Birchwood Grocery	Legion Hall (Mafeking)	Birch River Fisheries	
	Municipal Office		Fire Hall (Mafeking)		
	Northern Neighbors		Legion Hall (Birch River)		
	Birch River Library		Fire Hall (Birch River)		

15. Application to the Public Utilities Board for Adjustment in REUs

Owners of non-residential locations may apply to the RM of Mountain for an adjustment in class in accordance with the non-residential REU class schedule. These adjustments shall be prepared by the RM of Mountain staff and sent to The Public Utilities Board for review and approval. The cost for such an application shall be bore by the applicant and shall be the actual amount charged by The Public Utilities Board for such an order plus an administration fee of \$100.00 for preparing the required documents.