

Order No. 37/20

**PRAIRIE VIEW MUNICIPALITY
MINIOTA WASTEWATER UTILITY
WASTEWATER RATES
EFFECTIVE JANUARY 1, 2021, JANUARY 1, 2022, and JANUARY 1, 2023**

March 5, 2020

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

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1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) approves the revised wastewater rates for the Prairie View Municipality (Municipality), Miniota Wastewater Utility (Utility), effective January 1, 2021, January 1, 2022, and January 1, 2023.

The approved rates are as follows:

	Current Rate By-Law 9/2010	January 1, 2021	January 1, 2022	January 1, 2023
Annual Service Charge	\$22.73	\$25.27	\$27.81	\$30.34
Wastewater Rate (per REU)	\$94.35	\$99.47	\$104.59	\$109.72
Total Annual Charge*	\$117.08	\$124.74	\$132.40	\$140.06

*Based on 1 Residential Equivalency Unit (REU)

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 Utility, which provides services to 135 customers and the Municipality advises that the number of REUs assigned is 158.

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

Wastewater Collection and Treatment

The Utility consists of a two-cell lagoon that was expanded in the past ten years. The utility infrastructure was installed in the early 1960's, expanded in 1970, and expanded again in the past five years. The wastewater lines are primarily composed of clay pipe.

3.0 Application

On July 15, 2019, the Board received an application for revised rates from the Municipality for the Utility. The application was accompanied by a rate study completed by the Municipality's consultant and By-Law No. 2019-09 read for the first time on July 9, 2019.

The Municipality last had a rate increase in 2013, approved in Board Order No. 114/11.

A Public Notice of Application was issued on September 18, 2019 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the Municipality on or before October 18, 2019.

Two comments were received from stakeholders regarding high tax levels and reductions in amenities/services provided to Town of Miniota taxpayers.

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 reviewed this application and has chosen a paper review process. The Board is sensitive to stakeholders' responses to the Public Notice, but has no jurisdiction over taxation levels or provision of municipal amenities/services.

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

Schedule of Utility Rate Requirements – Miniota Wastewater Utility 2020 to 2023 Budget Forecasts (\$)				
	2020	2021	2022	2023
	Forecast			
General Expenses				
Administration	4,708	4,802	4,898	4,996
Total General Expenses	4,708	4,802	4,898	4,996
Revenue				
Investment Income	900	900	900	900
Total General Revenues	900	900	900	900
Net Costs General	3,808	3,902	3,998	4,096
Wastewater Expenses				
Collection System	10,000	9,917	10,115	10,317
Amortization	38,114	38,114	38,114	38,114
Interest on Long-Term Debt	5,611	4,991	4,343	3,667
Contingency	-	1,032	1,032	1,032
Reserve	-	6,000	6,000	6,000
Net Costs Wastewater	53,725	60,054	59,604	59,130
Net Operating Costs	57,533	63,956	63,602	63,226

The proposed Utility rate increases are necessary to provide for an annual transfer to the Utility reserve for wastewater line replacements.

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 Municipality has included a contingency allowance of \$1,032 per year or 10% of operating costs.

The Municipality advises funds will be required in the future to provide for wastewater line replacement. To provide for the replacement, a transfer to reserve of \$6,000 per year has been included. Given the existing wastewater lines are approximately 60 years old, the Municipality is planning to build reserve funds for repairs and eventual replacement of the lines.

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 2018 audited financial statements, the Utility had a working capital surplus at December 31, 2018. The 2019 audited financial statements are not available.

	2018
Utility Fund Surplus/Deficit	\$1,253,623
Deduct: Tangible Capital Assets	1,363,421
Add: Long-Term Debt	161,348
Add: Utility Reserves	10,541
Equals Working Capital Surplus (Deficit)	\$62,091
Operating Expenses	59,370
20% of Operating Expenses (Target)	\$11,874

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 Municipality’s administration cost allocation is proposed to be based on 0.5% of Financial Plan General “At Large” Government Services less assessment and grants expenses as follows:

Prairie View Municipality – Miniota Wastewater Utility Allocation Plan for Non-Direct Shared Services (see Note 1) as at June, 2019			
Category	Sub-category	Options	
1.0	Administrative Staff		0.5% of general legislative expenses excluding assessment and grant expenses.
	1.1 Billing services – meter reading to receipting and collection.		Meter Reading – N/A; Wastewater only utility with no meters.
	1.2 Accounting/ auditing/ including bylaw making and enforcement.		0.5% of audit costs
	1.3 Common office space		0.5% of office costs, utilities
	1.4 Office overheads (telephone, photocopier, computer, etc.)		0.5% of printing, postage, and stationary.
2.0	Operating, construction and maintenance costs		
	2.1 Vehicle – fuel, maintenance, lease costs, capital costs		No charges to utility.
	2.2 Labor – full time, part time, on call, sick time, vacation (see Note 2)		Utility staff on time sheets and actual time worked is charged to the Utility.
	2.3 Public works building and property.		There is no charge to the Utility for the Public Works Building use.
	2.4 Road repairs and alike (see Note 3)	Based on actual costs	-
3.0	Major projects		
	Interest/ financing		N/A
	Labor	Based on actual costs	-
	External costs	Direct charge (dedicated consulting)	-

Note 1: Allocation must be updated periodically to reflect the 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 e.g. re-constructing a road and replacing services at the same time – a portion of the road work may be allocated to the utility.

4.0 Board Findings

The Board has reviewed the application and the projections presented by the Municipality in its rate application and notes the calculations used to formulate the Utility's rates are not consistent with Public Utilities Board Guidelines, but instead have been designed to phase-in rates to mitigate rate-shock and high year-over-year rate increases. The Board also notes, this methodology for calculating the rates requested are forecast to result in forecasted deficits of \$2,001 for 2021 and \$496 for 2022 or a total two-year deficit of \$2,497.

The Board notes the Utility has sufficient working capital surplus to provide for the forecasted 2021 and 2022 deficits, therefore finds this methodology acceptable and approves the wastewater rates as applied for by the Municipality. The Board notes, however, use of this rate setting methodology requires diligent year-over-year monitoring of the Utility's budget.

The Board notes the rate study forecasts an operating deficit for 2019 and directs the Utility to return to the Board with a deficit application and recovery methodology if an actual operating deficit is incurred for 2019 as soon as it is known.

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

The Board requires the Municipality to review its wastewater rates for the Utility 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.

It has been eight years since the Municipality has submitted a rate application to the Board. The Board reminds the Municipality that regular rate reviews should be performed approximately every three years. If utility rates are found to be adequate, a letter of rate adequacy accompanied by a Council Resolution may be filed with the Board in lieu of a rate study.

The Board notes the Municipality's inclusion of a reserve allowance of \$6,000 per year for wastewater line repair and replacement. The Board recommends the Municipality develop a repair and replacement plan for the Utility infrastructure, if it does not already have one, including timelines and forecasted costs.

The Board notes the Utility has revenue from property taxes for debentures expiring in 2025 (\$8,221) and 2029 (\$12,498). The Board recommends the Municipality forecast and plan accordingly for the expiration of these revenues in its future rate studies and financial operations.

5.0 IT IS THEREFORE ORDERED THAT:

1. The revised wastewater rates for the Prairie View Municipality, Miniota Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule A, effective January 1, 2021, January 1, 2022, and January 1, 2023.
2. The cost allocation methodology for shared services as submitted by the Prairie View Municipality BE AND IS HEREBY APPROVED.
3. The Prairie View Municipality 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 Prairie View Municipality amend its wastewater 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 Prairie View Municipality review its wastewater rates for the Miniota Wastewater 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, 2023.
6. The Prairie View Municipality file a deficit application and recovery methodology for the Miniota Wastewater Utility if an actual operating deficit is incurred for 2019 as soon as it is known.

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.

Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

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

"Frederick Mykytyshyn"
Assistant Associate Secretary

Certified a true copy of Order No. 37/20
issued by The Public Utilities Board


Assistant Associate Secretary

**SCHEDULE A
TO BY-LAW NO. 2019-09**

Schedule of wastewater rates for properties serviced by the Miniota Utility

**SCHEDULE OF ANNUAL RATES
January 1, 2021**

1. Customer Service Charge
The annual customer service charge shall be \$25.27

2. Commodity Rates
The commodity rate for all wastewater usage shall be based on one residential equivalency unit and pro-rated in accordance with the Schedule of Minimum Annual Charges as detailed in Clause 3 hereafter. The annual wastewater usage rate for one residential equivalent unit shall be \$99.47

3. Schedule of Minimum Annual Charges

<u>Customer</u>	<u>REU's</u>	<u>Customer Service Charge</u>	<u>Wastewater Commodity Charge</u>	<u>Total Annual Charges</u>
Residential per Unit – Small Commercial Halls up to 250 Seats	1	\$25.27	\$99.47	\$124.74
Multi-Family Residential per Unit	1	\$25.27	\$99.47	\$124.74
Beauty Salon, Hall 251 to 350 Seats	1.5	\$25.27	\$149.21	\$174.48
Community Hall and Rink, Garage with 1 Wash Rack, Apiary	2.0	\$25.27	\$198.94	\$224.21
School – 5 Classrooms (1 REU/classroom)	5.0	\$25.27	\$497.35	\$522.62
Parkissimo Lodge (8x1 Bed @ ½ REU, 2x 2 Bed @ 1 REU)	6.0	\$25.27	\$596.82	\$622.09
Miniota Motor In (7 Rooms, 94 Restaurant Seats, 40 Beverage Seats)	11.0	\$25.27	\$1,094.17	\$1,119.44

**SCHEDULE OF ANNUAL RATES
January 1, 2022**

1. Customer Service Charge
The annual customer service charge shall be: \$27.81

2. Commodity Rates
The commodity rate for all wastewater usage shall be based on one residential equivalency unit and pro-rated in accordance with the Schedule of Minimum Annual Charges as detailed in Clause 3 hereafter. The annual wastewater usage rate for one residential equivalent unit shall be: \$104.59

3. Schedule of Minimum Annual Charges

<u>Customer</u>	<u>REU's</u>	<u>Customer Service Charge</u>	<u>Wastewater Commodity Charge</u>	<u>Total Annual Charges</u>
Residential per Unit – Small Commercial Halls up to 250 Seats	1	\$27.81	\$104.59	\$132.40
Multi-Family Residential per Unit	1	\$27.81	\$104.59	\$132.40
Beauty Salon, Hall 251 to 350 Seats	1.5	\$27.81	\$156.89	\$184.70
Community Hall and Rink, Garage with 1 Wash Rack, Apiary	2.0	\$27.81	\$209.18	\$236.99
School – 5 Classrooms (1 REU/classroom)	5.0	\$27.81	\$522.95	\$550.76
Parkissimo Lodge (8x1 Bed @ ½ REU, 2x 2 Bed @ 1 REU)	6.0	\$27.81	\$627.54	\$655.35
Miniota Motor In (7 Rooms, 94 Restaurant Seats, 40 Beverage Seats)	11.0	\$27.81	\$1,150.49	\$1,178.30

SCHEDULE OF ANNUAL RATES
January 1, 2023

1. Customer Service Charge

The annual customer service charge shall be: \$30.34

2. Commodity Rates

The commodity rate for all wastewater usage shall be based on one residential equivalency unit and pro-rated in accordance with the Schedule of Minimum Annual Charges as detailed in Clause 3 hereafter. The annual wastewater usage rate for one residential equivalent unit shall be: \$109.72

3. Schedule of Minimum Annual Charges

<u>Customer</u>	<u>REU's</u>	<u>Customer Service Charge</u>	<u>Wastewater Commodity Charge</u>	<u>Total Annual Charges</u>
Residential per Unit – Small Commercial Halls up to 250 Seats	1	\$30.34	\$109.72	\$140.06
Multi-Family Residential per Unit	1	\$30.34	\$109.72	\$140.06
Beauty Salon, Hall 251 to 350 Seats	1.5	\$30.34	\$164.58	\$194.92
Community Hall and Rink, Garage with 1 Wash Rack, Apiary	2.0	\$30.34	\$219.44	\$249.78
School – 5 Classrooms (1 REU/classroom)	5.0	\$30.34	\$548.60	\$578.94
Parkissimo Lodge (8x1 Bed @ ½ REU, 2x 2 Bed @ 1 REU)	6.0	\$30.34	\$658.32	\$688.66
Miniota Motor In (7 Rooms, 94 Restaurant Seats, 40 Beverage Seats)	11.0	\$30.34	\$1,206.92	\$1,237.26

The Following Clauses Take Effect January 1, 20211. Annual Billing

Accounts shall be billed annually.

A late payment charge of 1.25% compounded monthly shall be charged on the dollar amount owing after the billing date. The due date will be at least fourteen (14) days after the mailing of the bills.

2. 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 offices.

Any customer disconnected for non-payment shall pay a reconnection charge based on actual costs of doing the work plus payment of the arrears with penalty charges and \$10.00 for a reconnection permit.

3. Outstanding Bills

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

4. Service to Customers Outside Miniota Limits

The Council of Prairie View Municipality may sign Agreements with customers for the provision of wastewater services to properties located outside the boundaries of the Foxwarren Wastewater Utility. 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 Miniota Wastewater Utility 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. 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.