

Order No. 73/21

**PRAIRIE VIEW MUNICIPALITY
BIRTLE WATER AND WASTEWATER UTILITY
INTERIM *EX PARTE* WATER AND WASTEWATER RATES
ACTUAL OPERATING DEFICITS FOR 2017 AND 2019
BUDGETED DEFICIT FOR 2020**

July 8, 2021

**BEFORE: Irene Hamilton Q.C., Panel Chair
Shawn McCutcheon, Panel Member**

1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves, on an interim *ex parte* basis, revised water and wastewater rates as applied for by the Prairie View Municipality (Municipality), for the Birtle Water and Wastewater Utility (Utility). The Board also approves actual and budgeted operating deficits of \$140,528 for 2017 (actual), \$69,620 for 2019 (actual), and \$106,815 for 2020 (budgeted), or a total three-year actual and budgeted operating deficit of \$316,963, to be recovered through a combination of existing surplus account funding of \$261,554 and a rate rider of \$2.10 per 1,000 gallons beginning July 1, 2021 for a period of three years or until revenue from the rate rider has reached \$55,409, whichever comes first.

The revised rates are to be effective July 1, 2021. The approved rates and rate rider are shown in the table as follows:

	Current Rates	July 1, 2021
Quarterly Service Charge	\$ 16.45	\$ 15.44
Water (per 1,000 gallons)	\$ 17.19	\$ 25.04
Wastewater (per 1,000 gallons)	\$ 2.91	\$ 3.09
Minimum Quarterly Charge*	\$ 76.75	\$ 99.83
Wastewater Only Customers**	\$ 48.46	\$ 49.43
Bulk Water - Inside Community	\$ 10.00	\$ 40.75
Bulk Water - Outside Community	\$ 13.00	\$ 40.75
Rate Rider (per 1,000 gallons of water)***	-	\$ 2.10
Minimum Quarterly Charge with Rate Rider*	-	\$ 106.13

*Based on 3,000 gallons

**Based on 11,000 gallons

***To recover 2017, 2019, and 2020 deficits

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

2.0 Application

On May 28, 2021, the Municipality applied for revised water and wastewater rates for the Utility. The application was accompanied by a rate study prepared by the Municipality's consultant, By-Law No. 2021-04 having had first reading May 11, 2021, and Council Resolution #2021-110 requesting rates be set on an interim *ex parte* basis.

The Municipality's Utility rates were last approved in Board Order No. 95-15 with the last rate increase occurring July 1, 2015.

The Municipality is requesting interim rates because the Utility has incurred three deficits in the last four years, has a deficit forecasted for 2021, and has an insufficient working capital below Board requirements.

The Board also received an application for approval of two actual and one budgeted operating deficit of \$140,528 for 2017, \$69,620 for 2019, and \$106,815 for 2020 (budgeted) or a total three-year total operating deficit of \$316,963. Council Resolution #2021-110 requested the deficits be recovered through a rate rider of \$2.10 per customer 1,000 gallons consumed for a period of three years or until \$55,409 has been collected and existing working capital surplus funds of \$261,554.

The Deficit Application states the deficits are a result of increased costs due to water line breaks from increased water pressure after construction of a new water treatment plant (2017/2019) and increased amortization expenses from the construction of the new water treatment plant (2020).

As per the 2020 Trial Balance for the Utility provided by the Municipality's consultant, the most recent information available, the working capital at December 31, 2020 was:

	2020
Utility Fund Surplus/Deficit	\$7,165,458
Deduct Tangible Capital Assets	(8,570,365)
Add Long-Term Debt	1,401,547
Add Utility Reserves	76,159
Equals Working Capital Surplus (Deficit)	\$72,799
Operating Expenses	641,045
20% of Operating Expenses (Target)	\$128,209

The working capital does not meet the Board minimum requirement of 20% of operating expenses.

When reviewing an application, the Board has at its disposal several approaches. It can hold a public hearing at which the applicant can present its case and customers can present their concerns. In other cases, where it is deemed to be in the best interests of the Utility and its customers, the Board may review the application using a paper review process.

Where there is an urgent need for a rate increase and the Board determines it to be in the best interest of all parties, the Board may also establish interim *ex parte* rates. Interim rates are typically approved as applied for, and are then subject to a Public Notice of Application as well as the Board's review using one of the processes outlined above, before being approved as final by Board Order.

Since this process allows a municipality to temporarily circumvent the Board's review process, it is reserved for instances where a municipality can show there is a compelling argument to allow it. This is usually done by demonstrating to the Board the utility is experiencing multi-year operating deficits and will continue to do so if revised rates are not approved in an expedited manner.

3.0 Board findings

The Board approves, on an interim *ex parte* basis, the water and wastewater rates as applied for by the Municipality effective July 1, 2021. The Board makes this interim rate decision to mitigate the ongoing operating deficits Utility is experiencing and increased costs resulting from the construction of the new water treatment plant.

A Notice of the Application to inform the ratepayers of the interim water and wastewater rate increases will be issued as soon as possible.

The Board approves the deficits and the proposed recovery methodology as applied for by the Municipality, but notes it is concerned the Utility incurred three operating deficits between 2017 and 2020 and did not apply for any deficits until 2021. By law, Manitoba utilities are not allowed to incur deficits. In the event a deficit occurs, a utility is required by law to file a deficit application and approval of a recovery plan with the Board as soon as it is known.

The Board notes, \$261,554 of the deficits has already been collected through the Utility working capital and the remaining \$55,409 will be collected by the \$2.10 per customer per 1,000 gallons rate rider over a period of three years. The collection of the \$55,409 is also intended to bring the working capital to the board required level.

The reporting of deficits and filing of Deficit Applications is by law a responsibility of the Municipality. Pursuant to *The Public Utilities Board Act*, the Board has available enforcement methods and can apply penalties. The Board will consider utilizing the means at its disposal if the Municipality fails to adhere to this requirement in the future. The Board urges the Municipality to review their internal processes to ensure the reporting of deficits are done in a timely matter.

It has been six years since the Municipality's rates were last approved. This is too long a time-period between rate reviews. Regular rate reviews submitted in a timelier three-year period, as per the Board's Guidelines, protect the financial position of the Utility, exhibit consideration for the finances of ratepayers, and mitigates the need for substantial rate increases.

The Board notes that as result of the above-noted deficits and utility rates that have not been revised since 2015, an additional customer cost using a rate rider is required to recover the three years of utility deficits and a significant portion of the Utility's working capital has been absorbed. The Board advises the Municipality, working capital is accumulated to provide for replacement, repair, improvement, and expansion of Utility infrastructure and equipment, not to provide for ongoing deficits resulting from insufficient rates. The Utility has depleted its working capital to a level that it is no longer in position to absorb deficits or provide for the utility costs for which it is intended.

It is the Utility's responsibility to review its rates and ensure rates are adequate to recover the cost of the service provided to its customers. Customers are generally more tolerant of regular, smaller increases than one significant increase after years of stagnant rates. The Municipality needs to be much more diligent in conducting regular reviews of its revenue requirements and filing Rate/Deficit Applications with the Board accordingly.

The Board strongly encourages the Municipality to work closely with its auditor(s) to ensure the Public Utilities Board Note to the Consolidated Financial Statements is complete and correct. If this note is omitted, incomplete, and/or incorrect, it inhibits the Board's ability to assess the Utility's financial position and the Municipality's ability to set appropriate rates to sustain the Utility and its operations.

4.0 IT IS THEREFORE ORDERED THAT:

1. The Prairie View Municipality's application for revised water and wastewater rates for the Birtle Water and Wastewater Utility BE AND ARE HEREBY APPROVED on an interim *ex parte* basis in accordance with the attached Schedule "A", effective July 1, 2021.
2. The actual and budgeted operating deficits, when calculated for regulatory purposes, of \$140,528 for 2017 (actual), \$69,620 for 2019 (actual), and \$106,815 for 2020 (budgeted) or a total three-year operating deficit of \$316,963 incurred in the Prairie View Municipality, Birtle Water and Wastewater Utility, is HEREBY APPROVED to be recovered through a combination of the existing surplus account funding of \$261,554 and a rate rider of \$2.10 per customer per 1,000 gallons beginning July 1, 2021 for a period of three years or until revenue from the rate rider has reached \$55,409, whichever comes first.
3. The Prairie View Municipality amend its water and wastewater By-Law to reflect the decisions in this Board Order and file a copy with the Public Utilities Board, as soon as it has received third and final reading.
4. The Prairie View Municipality, Birtle Water and Wastewater Utility provide notice of the interim rates to its customers as soon as possible.

Fees payable upon this Order - \$150.00

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 (Rules). The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

THE PUBLIC UTILITIES BOARD

"Irene Hamilton, Q.C." _____

Panel Chair

"Frederick Mykytyshyn" _____

Assistant Associate Secretary

Certified a true copy of Order No. 73/21
issued by The Public Utilities Board



Assistant Associate Secretary

SCHEDULE A

**PRAIRIE VIEW MUNICIPALITY
BIRTLE WATER AND WASTEWATER UTILITY
WATER & WASTEWATER UTILITY RATES BY-LAW NO. 2021-04
SCHEDULE OF QUARTERLY RATES**

1. Schedule of Commodity Rates &
Quarterly Service Charge

July 1, 2021

Rates per 1,000 Gallons

1,000 Gallons per quarter

	Water	Wastewater	Water & Wastewater
	\$25.04	\$3.09	\$28.13

Quarterly Service Charge \$15.44

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>	Water Included (Gallons)	Customer Service Charge	Water Commodity Charge	Wastewater Commodity Charge	Total Quarterly Minimum	Deficit Rate Rider \$2.10/1,000	Total Quarterly Minimum with Rate Rider
5/8 inch	3,000	\$15.44	\$75.12	\$9.27	\$99.83	\$6.30	\$106.13
3/4 inch	6,000	\$15.44	\$150.24	\$18.54	\$184.22	\$12.60	\$196.82
1 inch	12,000	\$15.44	\$300.48	\$37.08	\$353.00	\$25.20	\$378.20
1 1/2 inch	30,000	\$15.44	\$751.20	\$92.70	\$859.34	\$63.00	\$922.34
2 inch	75,000	\$15.44	\$1,878.00	\$231.75	\$2,125.19	\$157.50	\$2,282.69
3 inch	135,000	\$15.44	\$3,380.40	\$417.15	\$3,812.99	\$283.50	\$4,096.49

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 the Wastewater Commodity Rate based on 1.5 times average quarterly consumption plus the quarterly customer service charge. The quarterly charge for wastewater only customers is $(11 \times \$3.09) + \$15.44 = \$49.43$.

d) Bulk Water

All water sold in bulk shall be charged for at a rate of \$40.75 per 1,000 gallons on a pro rated basis for all quantities of water greater than 100 gallons.

The following clauses take effect July 1, 2021:

3. Deficit Rate Rider

Deficit Rate Rider commencing July 1, 2021 to recover a portion of the 2017, 2019 and 2020 deficits is calculated based on a 3 year recovery period as follows:

Total to recover \$55,409

Divided by water volume sold 8,787,000 gallons

Deficit rate rider, per 1,000 gallons over 3 years: \$2.10 per 1,000 gallons beginning July 1, 2021 to June 30, 2023, inclusive.

4. Billings And Penalties

Accounts shall be billed quarterly based on water used. A late payment 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 fourteen (14) days after the mailing of the bills.

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 due to non-payment of account shall not be reconnected until all arrears, penalties, and a reconnection fee of \$50.00 have been paid

6. Turn-on and Turn-off Charges

The charge for disconnection and/or reconnection of services whether at the customer's request or because of disconnection for non-payment is \$50.00 per disconnection or reconnection.

7. Service to Customers Outside Utility's Limits

- a. The Council of Prairie View Municipality may sign Agreements with customers for the provision of water and Wastewater services to properties located outside the boundaries of Birtle Utility. 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 Birtle 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.
- b. All costs of connecting to the Utility's water and Wastewater mains and installing service connections will be paid by the customer.

8. Hydrant Charges

Prairie View Municipality, or any other hydrant owner, will pay to the Birtle Utility a fee of \$200.00 per hydrant for the purpose of maintaining and repairing all fire hydrants connected to the system which shall include the cost of water used for firefighting.

9. 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.

10. Valve

Property owners are required to install and operate a suitable valve or other mechanical device for shutting off or controlling the water connection in the cellar or basement of the owner's dwelling unit.

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. Water Meters

Water meters are owned by the Municipality but are the responsibility of the utility customer to maintain. If the water meter is broken, frozen, etc., the utility customer will be billed for a new meter at the current cost of replacement.

13. 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 \$150.00. 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 (4) 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.

14. 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.

15. 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.

16. 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.