

Order No. 95/21

**RURAL MUNICIPALITY OF WEST INTERLATE
ERIKSDALE WASTEWATER UTILITY REVISED RATES
AND 2018 ACTUAL OPERATING DEFICIT**

September 2, 2021

**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) approves the revised wastewater rates for the Rural Municipality of West Interlake (RM), Eriksdale Wastewater Utility (Utility). The Board varies the effective dates to January 1, 2022, and January 1, 2023 for wastewater rates and October 1, 2021 for septic hauler fees.

The approved rates are as follows:

	Current Rates	October 1, 2021	January 1, 2022	January 1, 2023
Annual Service Charge	\$ 19.74	-	\$ 17.28	\$ 16.04
Wastewater (per REU)	\$ 62.70	-	\$ 132.98	\$ 168.13
Minimum Annual Charge*	\$ 82.44	-	\$ 150.26	\$ 184.17
Septic Hauler Fee (per 1,000 gallons)	-	\$ 20.00	\$ 20.00	\$ 20.00

*Based on 1 Residential Equivalency Unit (REU)

The approved rate schedule is as follows:

	Current REUs	Revised REUs	Number of Customers
Single Family Residences and Mobile Homes	1	1	126
Residential Multi-Family (per dwelling unit)	1	1	34
Churches	-	1	1
Wellness Centre	-	2	1
Commercial Retail Businesses	-	1	13
Municipal Office	2	2	1
School Division Office	-	1	1
Fire Hall	-	1	1
Seniors Drop-In Centre	-	1	1
Community Centre	-	1	1
Credit Union	3	3	1
Lindell Manor	12	16	1
Personal Care Senior Citizens Home	17	17	1
School	20	20	1
Hospital	20	20	1
Rink	5	5	1
Total REU's		263	186

The Board approves the 2018 actual operating deficit of \$11,062, when calculated for regulatory purposes, to be recovered from the Utility's Accumulated Fund Surplus.

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 operates the Utility serving 186 wastewater customers or 263 REUs. Rates were last approved for the Utility in 2006 in Board Order No. 25/06, with the last rate increase occurring in 2006.

One REU is the estimate of the volume of water used by the average single-family residence. REUs are used in communities with an unmetered distribution and/or collection system, where information regarding actual consumption is unavailable.

Wastewater Collection/Treatment

The RM owns and operates a two-cell facultative lagoon that was constructed in the 1970's. The wastewater is conveyed via gravity wastewater mains and two lift stations to the lagoon.

3.0 Application

On September 23, 2020, the RM applied for revised wastewater rates for the Utility. The Application was accompanied by a rate study prepared by the RM's consultant and By-Law No. 15-2020, having had first reading on August 23, 2020.

A Public Notice of Application was issued on October 1, 2020 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the RM on or before October 31, 2020. No responses to the Notice were received.

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 2% in all calculations:

Schedule of Utility Rate Requirements Rural Municipality of West Interlake Eriksdale Wastewater Utility 2021 to 2023 Budget Forecasts (\$)			
	2021	2022	2023
	Forecast		
General Expenses			
Administration	\$2,389	\$2,437	\$2,486
Total General Expenses	2,389	2,437	2,486
Revenue			
Penalties	-	-	-
Total General Revenues	-	-	-
Net Costs General	\$2,389	\$2,437	\$2,486
Wastewater Expenses			
Collection System	\$19,998	\$20,298	\$20,806
Amortization	1,332	1,332	1,332
Reserves	20,000	20,000	20,000
Contingency	2,081	2,081	2,081
Total Wastewater Expenses	43,411	43,711	44,219
Revenue			
Connection Chargers	-	-	-
Total Wastewater Revenues	-	-	-
Net Wastewater Costs	\$43,411	\$43,711	\$44,219
Net Operating Costs	\$45,800	\$46,148	\$46,705

The proposed Utility rate increases are primarily required to fund a new wastewater line flushing program and for a reserve transfer to provide for twelve planned capital projects totalling \$432,000.

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 \$2,081 for wastewater in its application.

The RM has included an annual reserve allowance of \$20,000 in its application to provide for twelve planned capital projects totalling \$432,500.

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 2019 Audited Financial Statements, the most recent information available, the working capital deficit for the Utility at December 31, 2019 was:

	2019
Utility Fund Surplus/Deficit	\$66,603
Deduct: Tangible Capital Assets	(15,599)
Add: Long-Term Debt	-
Add: Utility Reserves	39,202
Equals Working Capital Surplus (Deficit)	\$90,206
Operating Expenses	13,793
20% of Operating Expenses (Target)	\$2,759

The Utility meets 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's allocation plan for shared costs is as follows:

Rural Municipality of West Interlake Eriksdale Wastewater Utility Allocation Plan for Non-Direct Shared Services (see Note 1) as at July 2020			
Category	Sub-category	Options	
1.0	Administrative Staff		0.25% of General Legislative expenses, excluding assessment and grant expenses. 0.25% of Public Works Manager salary and benefits.
	1.1 Billing services –meter reading to receipting and collection.		Meter reading – N/A Annual billing on property tax statements.
	1.2 Accounting/ auditing/ including bylaw making and enforcement.		0.25% of audit costs
	1.3 Common office space		0.25% of office costs and utilities
	1.4 Office overheads (telephone, photocopier, computer, etc.)		0.25% of printing, postage, and stationary
2.0 Operating, construction and maintenance costs			
	2.1 Vehicle – fuel, maintenance, lease costs, capital costs		Fuel and repair costs for 10% of 1/2 truck are charged to the Utility.
	2.2 Labor – full time, part time, on call, sick time, vacation (see Note 2)		Seasonal employee time is tracked on timesheets and 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)		-
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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 (eg. Re-constructing a road and replacing services at the same time, a portion of the roadwork costs may be allocated to the Utility.)

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 as soon as it is known.

On September 23, 2020, the RM also provided a Deficit Application to recover a 2018 deficit of \$11,062 from the Utility's working capital surplus. The RM advises the deficits were due to increased costs since the Utility's last Rate Application in 2006.

Board staff have reviewed the RM's 2018 Audited Financial Statements and note an increase in Lift Station Costs from \$5,326 in 2017 to \$26,503 in 2018.

4.0 Board Findings

The Board has reviewed the application and the projections for utility rates presented by the RM in its rate study and finds them to be acceptable. The Board approves the revised rates as applied for by the RM, but varies the effective dates to January 1, 2022 and January 1, 2023 for wastewater rates and October 1, 2021 for septic hauling fees.

The Board directs the RM to provide notice to customers accordingly for the new \$20.00 per 1,000 gallons septic hauler fee as soon as possible.

The Board notes the RM has included an annual reserve allocation of \$20,000 to assist in funding \$432,500 in capital projects. The RM advises these projects will be funded based on urgency/priority as determined by Utility staff and availability of funding.

The Board approves the RM's revised Cost Allocation Methodology and reminds the RM the methodology must be used consistently; any changes to the Cost Allocation Methodology require Board approval.

The Board requires the RM to review its water and wastewater 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, 2023.

The Board approves the 2018 actual operating deficit of \$11,062, when calculated for regulatory purposes, to be recovered from the Utility's Working Capital Surplus Fund. The Board notes Utility staff were unable to determine the cause of the 2018 increase in Lift Station Costs due to staff turnover.

The Board has not received the RM's 2020 Audited Financial Statements and reminds the RM audited financial statements are to be reported to the Board no later than June 30 of the following year.

5.0 IT IS HEREBY ORDERED THAT:

1. The revised wastewater rates for the Rural Municipality of West Interlake, Eriksdale Wastewater Utility, BE AND ARE HEREBY VARIED in accordance with the attached Schedule A, effective January 1, 2022 and January 1, 2023 for wastewater rates and October 1, 2021 for septic hauling fees.
2. The Shared Cost Allocation Methodology for the Rural Municipality of West Interlake BE AND IS HEREBY APPROVED.
3. The Rural Municipality of West Interlake 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 Rural Municipality of West Interlake 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 2018 actual operating deficit, when calculated for regulatory purposes, of \$11,062 incurred in the Rural Municipality of West Interlake, Eriksdale Wastewater Utility, is HEREBY APPROVED to be recovered from the Utility's Accumulated Fund Surplus.
6. The Rural Municipality of West Interlake review its wastewater rates for the Eriksdale 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.
7. The Rural Municipality of West Interlake submit its 2020 Audited Financial Statements as soon as possible.

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

"Shawn McCutcheon"
Panel Chair

"Frederick Mykytyshyn"
Assistant Associate Secretary

Certified a true copy of Order No. 95/21
issued by The Public Utilities Board


Assistant Associate Secretary

SCHEDULE A

**RURAL MUNICIPALITY OF WEST INTERLAKE
ERIKSDALE WASTEWATER UTILITY
WASTEWATER UTILITY RATES BY-LAW NO. 15-2020
SCHEDULE OF ANNUAL RATES**

January 1, 2022

1. Customer Service Charge

The annual customer service charge shall be \$17.28

2. Commodity Rates

The commodity rate for all wastewater effluent shall be based on one residential equivalency unit and pro-rated in accordance with the Schedule of Minimum Quarterly Charges as detailed in Clause 3 hereafter. The annual wastewater rate for one residential equivalency unit shall be \$132.98.

3. Schedule of Minimum Annual Charges

<u>Customer</u>	<u>Residential Equivalency Units</u>	<u>Customer Service Charge</u>	<u>Wastewater Commodity Charge</u>	<u>Total Annual Charge</u>
Single Family Residences & Mobile Homes	1	\$17.28	\$132.98	\$150.26
Residential Multi-Family – per dwelling unit	1	\$17.28	\$132.98	\$150.26
Churches	1	\$17.28	\$132.98	\$150.26
Wellness Centre	2	\$17.28	\$265.96	\$283.24
Commercial Retail Businesses	1	\$17.28	\$132.98	\$150.26
Municipal Office	2	\$17.28	\$265.96	\$283.24
School Division Office	1	\$17.28	\$132.98	\$150.26
Fire Hall	1	\$17.28	\$132.98	\$150.26
Seniors Drop-In Centre	1	\$17.28	\$132.98	\$150.26
Community Centre	1	\$17.28	\$132.98	\$150.26
Credit Union	3	\$17.28	\$398.94	\$416.22
Lindell Manor	16	\$17.28	\$2,127.68	\$2,144.96
Personal Care Senior Citizens Home	17	\$17.28	\$2,260.66	\$2,277.94
School	20	\$17.28	\$2,659.60	\$2,676.88
Hospital	20	\$17.28	\$2,659.60	\$2,676.88
Rink	5	\$17.28	\$664.90	\$682.18

January 1, 2023

1. Customer Service Charge

The annual customer service charge shall be \$16.04

2. Commodity Rates

The commodity rate for all wastewater effluent shall be based on one residential equivalency unit and pro-rated in accordance with the Schedule of Minimum Quarterly Charges as detailed in Clause 3 hereafter. The annual wastewater rate for one residential equivalency unit shall be \$168.13.

3. Schedule of Minimum Annual Charges

Residential Customer	Wastewater	Total			
Customer	Equivalency Units	Service Charge	Commodity Charge	Annual Charge	
Single Family Residences & Mobile Homes	1	\$16.04	\$168.13	\$184.17	
Residential Multi-Family – per dwelling unit	1	\$16.04	\$168.13	\$184.17	
Churches	1	\$16.04	\$168.13	\$184.17	
Wellness Centre	2	\$16.04	\$336.26	\$352.30	
Commercial Retail Businesses	1	\$16.04	\$168.13	\$184.17	
Municipal Office	2	\$16.04	\$336.26	\$352.30	
School Division Office	1	\$16.04	\$168.13	\$184.17	
Fire Hall	1	\$16.04	\$168.13	\$184.17	
Seniors Drop-In Centre	1	\$16.04	\$168.13	\$184.17	
Community Centre	1	\$16.04	\$168.13	\$184.17	
Credit Union	3	\$16.04	\$504.39	\$520.43	
Lindell Manor	16	\$16.04	\$2,690.08	\$2,706.12	
Personal Care Senior Citizens Home	17	\$16.04	\$2,858.21	\$2,874.25	
School	20	\$16.04	\$3,362.60	\$3,378.64	
Hospital	20	\$16.04	\$3,362.60	\$3,378.64	
Rink	5	\$16.04	\$840.65	\$856.69	

The following clauses take effect January 1, 2022:4. Separate Charges for Each Business

That should one or more businesses be carried on in a building, then a separate charge will be made for each such business.

5. Annual Billing

Accounts shall be billed annually and included on property tax bills.

6. Service to Customers Outside Utility's Limits

The Council of the Rural Municipality of West Interlake may sign Agreements with customers for the provision of sewer services to properties located outside the boundaries of the Eriksdale 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 Eriksdale sewer 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.

7. Disconnection

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 offices.

8. Outstanding Bills

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

SCHEDULE B

RURAL MUNICIPALITY OF WEST INTERLAKE ERIKSDALE WASTEWATER UTILITY WASTEWATER UTILITY RATES BY-LAW NO. 15-2020 SEPTIC HAULER FEES

October 1, 2021

1. The fees charged to be set out as follows:
 - a. Charge per 1,000 gallons \$20.00
2. All sewage discharged into the sewage lagoon shall meet the standards outlined by Manitoba Conservation and contained in the licence issued by the Province of Manitoba for this lagoon. It shall be the responsibility of each septic hauler to familiarize themselves with these standards.
3. All septic haulers planning to collect sewage or septage from residents of the rural municipality and discharge sewage into the rural municipality's lagoon must register at the municipal office and shall complete the application form set out in Schedule "C".
4. Each septic hauler registered with the rural municipality shall be charged a per load fee based on the size of the vehicle registered, Each payment is due and payable within 14 days from the date that the invoice is mailed. If the current bill is not paid within 30 days, the rural municipality may revoke all rights and privileges in respect of the person(s) default in payment.
5. Each septic hauler must submit a quarterly report to the rural municipality indicating:
 - a. the number of loads;
 - b. the estimated volume of each load; and
 - c. the legal or civic address from where each load originated.

Failure to submit these reports may result in the rural municipality revoking all rights and privileges of such person(s) being in violation of this section.

6. The Designated Officer or Alternate as may be appointed shall be empowered to inspect all sewage being discharged by a Septic Hauler. If a Septic Hauler is found to be in violation of this By-Law or provisions of any licensing requirements of the rural municipality the Designated Officer or Alternate shall have full authority to revoke all rights and privileges of such person(s) being in violation and the violator(s) shall immediately surrender their key or access card for the lagoon to the officer.

SCHEDULE C
RURAL MUNICIPALITY OF WEST INTERLAKE
SEPTIC HAULER ACCESS APPLICATION FORM

DATE: _____

APPLICANT'S NAME:

APPLICANT'S FULL BUSINESS NAME:

VEHICLE LICENCE NO: _____ TANK VOLUME: _____

Written confirmation of MINIMUM \$2 million liability insurance in the name of the septic hauler or associated business, with the RM of West Interlake as an additional insured. Confirmation must be provided annually and kept current at all times.

Letter from Worker's Compensation Board of Manitoba with proof of registration and good standing with WCB. Confirmation must be provided annually and kept in good standing at all times.

By signing below, the applicant agrees to comply with all bylaws of the Rural Municipality of West Interlake including:

- To submit a quarterly report to the rural municipality indicating the number of loads, the volume of each load and the legal or civic address form where each load originated.

The applicant understands that the rural municipality shall have authority to revoke all rights and privileges of such person(s) being in violation and the violator(s) shall immediately surrender their access card or key for the lagoon to the rural municipality.

APPLICANT'S SIGNATURE

ADDRESS (FULL MAILING)

PHONE NUMBER

EMAIL ADDRESS