

**Order No. 56/24**

**MUNICIPALITY OF NORFOLK TREHERNE  
RATHWELL WATER AND WASTEWATER UTILITY  
REVISED WATER RATES  
INITIAL WASTEWATER RATES  
2015, 2016 and 2022 UTILITY OPERATING DEFICITS**

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**May 10, 2024**

**BEFORE: Marilyn Kapitany, B.Sc. (Hon), M. Sc., Panel Chair  
Susan Boulter, Panel Member**

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## 1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) grants approval of the Municipality of Norfolk Treherne (Municipality), Rathwell Utility's (Utility) application for revised water rates and initial wastewater rates.

The Board grants approval for the recovery of operating deficits for 2015, 2016 and 2022 totalling \$35,120, to be recovered from the Utility's Accumulated Surplus Account.

The revised water and initial wastewater rates are below:

	<b>July 1, 2024</b>
Quarterly Service Charge	\$ 21.45
Water (per 1,000 gallons)	\$ 36.43
Wastewater (per 1,000 gallons)	\$ 24.87
Minimum Quarterly Charge*	\$ 205.35
Bulk Water Sales(per 1,000 gallons)	\$ 39.00
Untreated Bulk Water (per 1,000 gallons)	\$ 5.00

\*based on 3,000 gallons

Details of other rates can be found in Schedule A.

The reasons for the Board's decisions are under Board Findings.

## 2.0 Background

Water rates were last set in Board Order No. 124/11, with current water rates coming into effect January 1, 2011, and charged based on Residential Equivalency Units (REUs).

The Utility provides water service to 74 customers, of those 14 are connected to and receiving wastewater services.

### Water Supply/Distribution

The water system provides treated water to connected customers. Water lines were installed in 1967. Water meters were installed in 2014, but the current rates are based on Residential Equivalency Units (REUs, see Board Methodology) set in 2011.

The Utility sells both treated and untreated bulk water.

### Wastewater Collection and Treatment

A new wastewater lagoon and low-pressure wastewater collection lines were installed in Rathwell in 2022/2023.

Wastewater services include one septic pump out per year for customers.

## 3.0 Board Methodology

### Review Process

When reviewing an application, the Board has at its disposal two approaches, a paper review process or a public hearing. After the publication of the Notice of Application, the Board considers the application and responses, if any, 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.

Where there is an urgent need for initial or revised rates and the Board determines it to be in the best interest of all parties, the Board may establish interim *ex parte* rates.

### Interim *ex parte* Approval

Interim *ex parte* rates are typically approved as applied for and are then subject to a standard Board review process, including a Public Notice of Application, before being confirmed as final by Board Order.

Since this process allows a municipality to charge ratepayers revised rates in advance of the Board's comprehensive review, it is reserved for instances where a municipality can show a compelling argument to allow it.

### Contingency Allowance

The Board's Water and Wastewater Rate Application Guidelines recommend an annual contingency allowance equal to 10% of the variable operating costs, to fund any unplanned expenditures.

## Residential Equivalency Units (REUs)

One REU is the estimate of the volume of wastewater produced by the average single-family residence. The Utility allocates units to non-residential customers 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.

## Working Capital

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.

## Operating 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. The Board is therefore bound to approve reasonable rates based on reasonable expense projections.

## Cost Allocation Methodology

The Board requires all municipalities to review the costs shared between the general operations of the municipality and the Utility, and to allocate appropriate and reasonable costs to the Utility, based on a policy known as a Cost Allocation Methodology. This policy must be submitted to the Board for approval and cannot be changed without

approval by the Board. The Board's requirements regarding cost allocation methodologies can be found in Board Order No. 93/09.

### **Unaccounted for Water**

Water losses may be caused by such events as distribution line losses, service leaks, water used for fire fighting or line flushing, and under-registration of water meters. The Board Guidelines require utilities to compare the volume of water produced or purchased against the volume of water sold, to determine the percentage of unaccounted for water. Unaccounted for water volumes of approximately 10% are considered industry standard.

The Board expects any utility experiencing a greater volume of unaccounted for water to provide an explanation and plan to address the water losses.



## 4.0 Application

The Board received an application for revised water rates and initial wastewater rates for the Rathwell Utility on September 21, 2023. The application was accompanied by Council Resolution No. 23 0213 requesting that the rate be approved on an interim *ex parte* basis due to the 2022 operating deficit, forecast 2023 operating deficit, and to enable the Utility to commence charging based on metered water volume and to establish a wastewater rate.

The Board considered the Municipality's request for interim *ex parte* rates and denied the request in Board Order No. 131/23, issued November 15, 2023. The Board found that the Municipality had not provided evidence of consultation or notice to ratepayers informing them of the implementation of initial wastewater rates, or of the change in methodology from an annual flat rate utility bill to a quarterly commodity-based utility bill for water rates. The Board found the changes requested by the Municipality were too significant to be approved without a Notice of Application, and so denied the application.

The Board issued a Public Notice of Application on December 8, 2023, affording customers the opportunity to comment to both the Board and the Municipality with respect to the proposed rate changes. The Board received approximately 25 responses to the Notice.

The Municipality advises that based on 2021 meter reading volumes, the average customer uses 5,100 gallons of water per quarter.

The Municipality advised that there are currently 14 customers connected to the wastewater system and estimates new connections at a rate of two customers per year. The Municipality advises that there are 93 potential connections in the entire system, and that under current legislation customers have until November 2032 to connect to the system, unless their system fails or the dwelling is sold.

The rates were calculated using the following revenue requirement projections:

	Rate Year 1	Rate Year 2	Rate Year 3	Rate Year 4
<b>General</b>				
Administration (building, office, staff, etc)	3,962	3,962	3,962	3,962
Working capital contribution				1,719
<b>Net revenue requirement - general</b>	<b>3,962</b>	<b>3,962</b>	<b>3,962</b>	<b>5,681</b>
<b>Water</b>				
Purification and treatment	39,842	40,639	41,452	42,281
Amortization	34,615	34,112	33,608	33,105
Contingency				3,328
<b>Total water expenses</b>	<b>74,457</b>	<b>74,751</b>	<b>75,060</b>	<b>78,714</b>
Bulk water fees	9,000	9,000	9,000	9,000
Amortization of capital grants	16,168	16,168	16,168	16,168
<b>Total water revenue</b>	<b>25,168</b>	<b>25,168</b>	<b>25,168</b>	<b>25,168</b>
<b>Net revenue requirement - water</b>	<b>49,289</b>	<b>49,583</b>	<b>49,892</b>	<b>53,546</b>
<b>Wastewater</b>				
Wastewater collection system	3,819	4,262	4,262	4,262
Wastewater treatment and disposal	5,092	5,682	5,682	5,682
Amortization	49,285	49,285	49,285	49,285
Interest on long term debt	46,092	44,761	43,346	41,843
Contingency		0	0	994
<b>Total wastewater expenses</b>	<b>104,288</b>	<b>103,990</b>	<b>102,575</b>	<b>102,066</b>
Taxation revenues - wastewater	67,390	67,390	67,390	67,390
Amortization of capital grants	20,473	20,473	20,473	20,473
<b>Total wastewater revenue</b>	<b>87,863</b>	<b>87,863</b>	<b>87,863</b>	<b>87,863</b>
<b>Net revenue requirement - wastewater</b>	<b>16,425</b>	<b>16,127</b>	<b>14,712</b>	<b>14,203</b>

The Municipality's consultant calculated the indicated rates for the final rate year and requested rates be implemented in a stable and predictable rate change year over year.

### Contingency Allowance and Utility Reserves

The Municipality has included in the 2022 projections a contingency allowance of 10% of net rate requirements, less amortization expenses. This equates to \$8,441 for water and \$1,531 for wastewater. There is no provision for transfer to Utility Reserve proposed.

## Working Capital

As per the 2022 audited financial statements, the Working Capital Surplus at December 31, 2022 was:

	2022	2023 (unaudited)
Accumulated Fund Surplus/Deficit	\$1,181,178	\$1,602,254
Deduct tangible capital assets	\$2,176,155	\$2,361,868
Add long term debt	\$0	\$757,513
Add utility reserves	\$19	\$19
<b>Equals Working Capital Surplus/Deficit</b>	<b>(\$994,958)</b>	<b>(\$2,082)</b>
Operating costs	\$52,966	
20% of operating costs (target)	\$10,593	

The 2022 Working Capital is in a deficit position due to the timing of significant capital projects and the recognition of related long term debt. The Municipality has provided projections for the 2023 working capital calculation showing a significant improvement, and forecasts it will meet PUB requirements by 2024.

## Operating Deficits

The Municipality has applied to the Board for approval of operating deficits for 2015 (\$6,370), 2016 (\$10,239) and 2022 (\$18,511), totalling \$35,120, requesting the deficits be recovered from the Utility's Accumulated Fund Surplus.

## Cost Allocation Methodology

The Municipality has proposed the CAM be based on 0.5% of General Government Services less Assessment and Grants expenses.

## Unaccounted for Water

The Utility indicated the 2021 unaccounted for water was 1% of water produced.

## 5.0 Public Hearing

Considering the Municipality's filing and having reviewed the responses to the Notice of Application, the Board chose a Public Hearing process to review the application.

A Public Hearing took place on April 15, 2024, in accordance with the Notice of Hearing. Approximately 25 people attended the Hearing, including several members of Council, the Reeve and the Municipality's consultant.

The Municipality's consultant presented on behalf of the Utility. The presentation explained the reasons for the water rate increases, including using the meters installed in 2014 to charge customers using their actual volumes, as well as the operating deficits experienced by the Utility. The presentation went into detail about the new wastewater system and the introduction of related rates for wastewater services.

The ratepayers in attendance asked several questions outside of the jurisdiction of the Board, including questions about frequent boil water advisories, water colour and quality and difficulty engaging plumbers to connect to the wastewater system.

Ratepayers expressed concerns over the delay in implementing volumetric rates and using meters that have been installed for many years, as well as investments in a backup generator. The Reeve responded to these concerns, stating the current Council is attempting to remedy these issues, and in many cases there is no answer about why things have not been done sooner.

Ratepayers asked many questions about the proposed rates, as well as asking if there was any possibility of phasing in the increases over a longer period of time, given the magnitude of the increases. Comparisons to another Utility within the Municipality, Treherne, were made. The Municipality explained that the Rathwell Utility does not have the working capital surplus accumulated that would support phasing in of revised rates.

During the Hearing, ratepayers requested the Municipality provide information about actual usage on an individual basis, as well as detailed information about Utility expenses. The CAO committed to sharing this information with interested ratepayers.

## 6.0 Board Findings

The Board reviewed the application and revenue projections presented by the Municipality and finds the projections to be reasonable. The Board grants approval of the revised water rates and initial wastewater rates for the Utility, effective July 1, 2024.

The Board grants approval of the 2015, 2016 and 2022 operating deficits, to be recovered from the Utility's Accumulated Surplus. Once the deficits have been absorbed, the Utility's Working Capital Surplus is reduced below the Board's requirement of 20% of utility expenses. The Board considered varying the application and approving a rate rider but found the resulting Working Capital Deficit was within an acceptable range, given the rate increases being faced by ratepayers. The Board anticipates the Utility may experience operating deficits in both 2023 and 2024 and directs the Municipality to file for approval, if necessary, once audited results are available.

The Board grants approval of the Cost Allocation Methodology proposed by the Utility.

The increases required can be considered to be rate shock, something that is common where rate requirements are not addressed for significant periods of time. In the case of Rathwell Utility, it has been 13 years since the water rates have been revised. Ratepayers are generally more tolerant of regular, smaller increases. The Municipality needs to be more diligent in conducting regular reviews of its revenue requirements.

The Board will direct the Utility to review its rates and provide an application for revised rates or a detailed rate adequacy report on or before October 31, 2025. This is particularly important because of the water rates transitioning from a flat rate, REU basis to actual volumes used, as historically the Board has seen this result in material changes to the consumption patterns of utility customers, and rates have been calculated using historical

consumption. In addition, the initial wastewater rates are calculated without the benefit of historical cost information, using the same consumption from unmetered usage and the anticipated growth in the number of connected customers which may not be accurately forecast. The Board will require the Municipality to provide detailed information advising on the adequacy of rates.

The Board directs the Municipality to prepare a Notice for its ratepayers, informing them of the decisions in this Order. The Municipality is also directed to file with the Board a copy of this Notice and an amended rate By-law, having had third reading.

The Board directs the Municipality to provide its ratepayers with information regarding actual usage on an individual and quarterly basis for the past four quarters, on or before the next billing cycle. The Municipality should provide a report to the Board indicating when this has been completed.

The Board reminds the Municipality regular reviews are important for a financially sound utility and encourages the Municipality to review Board Order Nos. 27/23 and 86/17 for future rate applications. The Orders outline the Simplified Rate Application Process for municipally owned public utilities. If, after its rate review, the Municipality finds it meets the designated criteria for a simplified rate application, it should apply for future rates using the Simplified Rate Application Process.

## 7.0 IT IS THEREFORE ORDERED THAT:

1. The water rates for the Municipality of Norfolk Treherne – Rathwell Water and Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule A, effective July 1, 2024.
2. The initial wastewater rates for the Municipality of Norfolk Treherne – Rathwell Water and Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule A, effective July 1, 2024.
3. The Cost Allocation Methodology for shared services as submitted by the Municipality of Norfolk Treherne – Rathwell Water and Wastewater Utility BE AND IS HEREBY APPROVED.
4. The operating deficits for 2015, 2016 and 2022 totalling \$35,120, when calculated for regulatory purposes, incurred in the Municipality of Norfolk Treherne – Rathwell Water and Wastewater Utility, BE AND ARE HEREBY APPROVED to be recovered from the Accumulated Surplus Account.
5. The Municipality of Norfolk Treherne amend its Rathwell Water and Wastewater Utility 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.
6. The Municipality of Norfolk Treherne prepare a notice for its Rathwell Water and Wastewater Utility customers advising of the decisions in this Order and submit a copy to the Board.
7. The Municipality of Norfolk Treherne provide Rathwell Water and Wastewater Utility ratepayers with information regarding actual usage on an individual and quarterly basis for the past four quarters, on or before the next billing cycle and provide the Board with a report once completed.

8. The Municipality of Norfolk Treherne – Rathwell Water and Wastewater Utility review its rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates (if applicable), on or before October 31, 2025.

Fees payable upon this Order - \$1,500.00

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. The Board's Rules may be viewed on the Board's website at [www.pubmanitoba.ca](http://www.pubmanitoba.ca).

THE PUBLIC UTILITIES BOARD

"Marilyn Kapitany, B.Sc. (Hon), M. Sc."  
Panel Chair

"Jennifer Dubois, CPA, CMA"  
Assistant Associate Secretary

Certified a true copy of Order No. 56/24  
issued by The Public Utilities Board



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Assistant Associate Secretary



**MUNICIPALITY OF NORFOLK TREHERNE**  
**RATHWELL UTILITY**  
**BY-LAW NO. 96-2023**  
**WATER & WASTEWATER UTILITY RATES**  
**SCHEDULE "A"**  
**SCHEDULE OF QUARTERLY RATES**

**1. Schedule of Commodity Rates & Quarterly Service Charge July 1, 2024**

Quarterly Service Charge				\$21.45
Quarterly Rates	Water	Wastewater	Water & Wastewater	
Per 1,000 gallons	\$36.43	\$24.87	\$61.30	

**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	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Wastewater Commodity Charge	Water & Wastewater Quarterly Minimum
5/8 inch	1	3,000	\$21.45	\$109.29	\$74.61	\$205.35
¾ inch	2	6,000	\$21.45	\$218.58	\$149.22	\$389.25
1 inch	4	12,000	\$21.45	\$437.16	\$298.44	\$757.05

b. Water Only for Customers

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

**3. Bulk Water Sales**

All treated water sold in bulk by the Rathwell Utility will be charged at the rate of \$39.00 per 1,000 gallons.

All untreated water sold in bulk by the Rathwell Utility will be charged at the rate of \$5.00 per 1,000 gallons.

The following clauses take effect July 1, 2024:

1. **Service To Customers Outside Utility's Limits**

The Council of the Municipality of Norfolk Treherne may sign Agreements with customers for the provision of water and wastewater services to properties located outside the boundaries of Rathwell. 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 Rathwell boundaries. In addition, all costs of connecting to the Utility's mains, and installing and maintaining service connections, will be paid by the customer.

2. **Billings And Penalties**

Accounts shall be billed quarterly based on water used. A late payment charge of 1.25% per month, compounded monthly, shall be charged on the dollar amount owing after the billing due date. The due date shall be at least 14 days after the mailing of the bills.

3. **Connection to Water Mains**

Any customer wishing to connect to the Rathwell water system shall be responsible for the installation of the water service line from their residence to the water main located in the road right of way and shall be assessed a water connection inspection fee of \$100 that shall be paid as a lump sum fee. The Utility customer shall be responsible for all maintenance and repair of the service line.

4. **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 office.

5. **Reconnection**

Any service disconnected, whether due to non-payment of account or for any other reason(s) mutually agreed to by the customer and the Municipality (ie. repairs necessitated by negligence of the customer, changes in tenant, vacancy for an extended period of time, etc.) shall not be reconnected until a reconnection fee of \$25.00 and all arrears and penalties, if any, have been paid.

6. **Outstanding Bills**

Pursuant to Section 252(2) of The *Municipal Act*, the amount of all outstanding charges for water and 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. Where charges and penalties pursuant to this by-law are not paid within sixty (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.

7. **Wastewater Surcharges**

a) There may be levied annually, in addition to the rates set forth above, a special surcharge on wastewater 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 wastewater or industrial waste.

#### **8. Meter Testing**

Any customer wishing to have a meter tested for accuracy will pay in advance a fee of \$50, plus any applicable meter testing costs. In the event the meter tests prove that the meter is recording water flows in excess of actual flows, the meter testing fee and associated costs will be refunded to the customer and the customer's account will be reviewed and adjusted accordingly.

#### **9. Fee for Reading Meter**

Every water customer that fails to either phone, mail or drop off their water meter reading during the appropriate time schedule, will have their meter read by Rathwell Utility staff and be charged a \$10.00 fee for this service. If Rathwell Utility staff are unable to access the water meter in an appropriate time frame to take a reading, an estimate will be taken and the customer will still be liable for the charge.

#### **10. Meter Tampering**

Where there is evidence of meter tampering a minimum charge of \$500 will be applied to the customer's account in addition to an amount calculated to adjust for the tampering based on historical usage.

#### **11. Cross Connections**

No person shall make any connection or communication of an independent water supply with a pipe or main which is part of or connected to the waterworks system.

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.

#### **12. 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.

**13. 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.