

Order No.122/16

**RURAL MUNICIPALITY OF HANOVER
LOCAL IMPROVEMENT DISTRICT No. 5
NEW BOTHWELL WASTEWATER UTILITY
COST ALLOCATION METHODOLOGY**

September 21, 2016

**BEFORE: The Hon. Anita Neville, P.C., B.A. (Hons.), Acting Chair
Carol Hainsworth, C.B.A., Member**

Executive Summary

By this Order, the Public Utilities Board (Board) approves the application made by the Rural Municipality of Hanover (RM) for the approval of the Cost Allocation Methodology applicable to the New Bothwell Wastewater Utility (Utility). The Board also acknowledges that the RM has prepared a rate study for this utility and found the rates to be adequate and not in need of revision at this time.

Application

The RM applied for approval of the Cost Allocation Methodology on May 31, 2016. Included in the application was the RM's Council Resolution No. FA 16-82 with an amended Schedule "E" reflecting these changes.

Office Cost Allocation to New Bothwell Utility Operating

	<u>2016 Budget</u>	<u>%Charged to Utility</u>	<u>Utility's Share of Common Costs for 2016</u>
CAO and Staff	\$614,600	0.8%	\$5,200
Office	\$119,950	0.8%	\$1,015
Legal	\$15,000	0.8%	\$126
Audit	\$35,000	0.8%	\$296
			<u>\$6,637</u>
Add 2% 2017 estimated costs			<u>\$133</u>
2017 estimated Admin and Office Costs			<u><u>\$6,770</u></u>

Rural Municipality of Hanover – L.I.D. of New Bothwell

Allocation Plan for Non-Direct Shared services

May, 2016

Category	Sub-category	Options	
1.0	Administrative Staff, office, legal and audit costs	Activity Based (Note 1)	0.8%
	1.1 Billing services –meter reading to receipting and collection.		0.8%
	1.2 Accounting/ auditing/ including bylaw making and enforcement.		0.8%
	1.3 Common office space		0.8%
	1.4 Office overheads (telephone, photocopier, computer, etc)		0.8%
2.0	Operating, construction and maintenance costs		
	2.1 Vehicle – fuel, maintenance, lease costs, capital costs	Two ½ ton trucks are used for all RM utilities.	Cost for insurance, fuel, repair and maintenance for two ½ ton trucks is charged off to RM utilities based on hours spent at each utility
	2.2 Labour – full time, part time, on call, sick time, vacation, Note 2	There are 3 RM utility operators. Time sheets are used and time spent on each Utility is charged accordingly based on time recorded.	
	2.3 Public works building and property.	Costs that could be charged to the Utility are minimal and at present nothing is allocated to the Utility	
	2.4 Road repairs and alike (Note 3)	Based on actual costs	
3.0	Major projects		
	Interest/financing		Debenture Debt
	Labour	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.

Board Findings

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

The Board will approve the revised Cost Allocation Methodology, and reminds the RM that this methodology must be used consistently in the future, and requires Board approval should any further changes be considered.

The Board acknowledges that the RM had a rate study prepared and submitted for this Utility. The RM advised that the rates are adequate at this time and that only the Cost Allocation Methodology required revision. The Board will ask the RM to continue its monitoring of the adequacy of current rates.

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.pub.gov.mb.ca.

IT IS THEREFORE ORDERED THAT:

1. The cost allocation methodology for shared services and equipment as submitted by the Rural Municipality of Hanover for the New Bothwell Wastewater Utility BE AND IS HEREBY APPROVED.
2. By-law No. 2103 be amended to reflect Schedule “E” of the Rate Study and that a copy of that By-law be submitted to the Board following third and final reading.
3. The Rural Municipality of Hanover review its wastewater rates 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 September 1, 2018.

Fees payable upon this Order are \$ 150.00

THE PUBLIC UTILITIES BOARD

“The Hon. ANITA NEVILLE, P.C., B.A. (Hons.)”
Acting Chair

“JENNIFER DUBOIS, CPA, CMA”
Acting Secretary

Certified a true copy of Order No. 122/16
issued by The Public Utilities Board

Acting Secretary