

**Order No. 125/16**

**AN ORDER RESPECTING THE RURAL MUNICIPALITY OF CARTIER  
WATER AND WASTEWATER RATES  
2016, 2017 AND 2018  
APPROVAL OF DEFICITS FOR 2011 AND 2014**

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**September 28, 2016**

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

## Table of Contents

1.0	Executive Summary.....	3
2.0	The Issues.....	4
3.0	Application.....	5
4.0	Board Findings on the Issues.....	6
5.0	IT IS THEREFORE ORDERED THAT:.....	9
	SCHEDULE "A" .....	11

## 1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board or PUB) approves the Rural Municipality of Cartier (RM) Cost Allocation Methodology, deficits for 2011 and 2014, and revised water and wastewater rates for the RM as follows:

	Current	2016	Increase	2017	Increase	2018	Increase
Water \$/1,000 gallons	\$10.50	\$11.91	13%	\$13.36	12%	\$14.98	12%
Sewer \$/1,000 gallons	\$4.10	\$4.13	1%	\$4.16	1%	\$4.19	1%
Quarterly Service Charge	\$12.50	\$14.13	13%	\$16.06	14%	\$18.30	14%
Minimum Quarterly Water and Sewer*	\$56.30	\$62.25	11%	\$68.62	10%	\$75.81	10%
Minimum Quarterly Sewer**	\$57.60	\$59.56	3%	\$61.82	4%	\$64.39	4%
2014 Deficit rate rider per 1,000 gallons	n/a	n/a	n/a	\$0.43	n/a	\$0.43	0%
Bulk Water Charge per 1,000 gallons***	\$10.50	\$12.00	14%	\$13.50	13%	\$15.00	11%
Reconnection Fee	\$40.00	\$40.00	0%	\$40.00	0%	\$40.00	0%
Hydrant Rental (Annual)	\$100.00	\$100.00	0%	\$100.00	0%	\$100.00	0%
*Based on 3,000 gallons							
**Based on 11,000 gallons							
***For any quantity of 500 gallons or less the minimum charge will be \$6.00 in 2016, \$7.00 in 2017 and \$7.50 in 2018							

Details of other rates may be found in the attached Schedule “A”.

Rationale for the PUB’s decisions may be found under “Board Findings on the Issues”.

## **2.0 The Issues**

Three issues were identified by the Board:

**Issue 1 – The RM has requested revised water and wastewater rates.**

**Issue 2 – The RM has requested approval of the recovery of the 2011 and 2014 utility operating deficits.**

**Issue 3 – The RM has requested approval of the cost allocation methodology**

### 3.0 Application

The RM owns and operates three utilities; Elie, St Eustache and Lido Plage. These utilities are presented in the audited financial statements as separate entities; however the RM operates them on a consolidated basis as the Cartier water and wastewater utility (Utility).

The Utility serves 645 customers, of which 400 are water and wastewater, 244 are water only and one is wastewater only. Rates were last reviewed in 2008 and approved by Board Order No. 115/07.

A Notice of Application was issued on August 24, 2015 affording customers the opportunity to comment to both the PUB and RM with respect to the proposed increases. The PUB received one comment. When reviewing an application, the PUB has at its disposal two approaches, either a paper or a public hearing review. After the publication of the Notice of Application, the PUB will consider the application and stakeholder responses, and determine which method of review is most appropriate.

A public hearing process allows the Utility and stakeholders the opportunity to present their application and any concerns to the PUB in person. The PUB may review the application using a paper review process, which saves the cost of a public hearing process. The PUB decided to process this application with a paper-based review.

## 4.0 Board Findings on the Issues

### Issue 1 – The RM has requested revised water and wastewater rates.

The RM has submitted that the current rate structure is inadequate for the operations of the Utility. The rate increase is required primarily as a result of Public Sector Accounting Board standards, most notably the inclusion of amortization expense, and to bring the annual operation of the Utility into a surplus position financially.

The RM's rate study projected costs to 2018, then requested that the PUB approve the average of the total increase over a three year period, allowing them to phase-in rates, in an effort to minimize rate shock.

The PUB is sensitive to customer reaction to the magnitude of the rate increases, however must consider the sustainability of the Utility when approving rates. Even at the applied for rates, these increases are considered to be rate shock, something that is common where rate requirements are not addressed for significant periods of time.

In the case of the RM of Cartier, the PUB reviewed the evidence provided by the RM and has found this to be reasonable. The PUB will approve the RM's request, but reminds the RM that it has been eight years since a rate change has taken place. Consumers are generally more tolerant of regular, smaller increases. The RM needs to be more diligent in conducting regular reviews of its revenue requirements.

The processing of the RM's rate application was complicated by the RM's audited financial statements presenting three utilities and the RM operating and setting rates on a consolidated overall basis. The PUB will ask the RM to either consolidate the utilities in the audited financial statements (either by combining the three schedules into one or having their auditor prepare a fourth consolidated statement) or operate the utilities separately. Manually consolidating the information provided in the audited financial statements is a drain on PUB resources. This has been reflected in the charge for this Board Order.

**Issue 2 – The RM has requested approval of the recovery of the 2011 and 2014 utility operating deficits.**

The RM has submitted that the Utility has experienced operating deficits of \$78,480 (2011) and \$39,163 (2014), when calculated for regulatory purposes. The RM's rate study also indicated that it is anticipating operating deficits for both 2015 and 2016; the PUB expects the appropriate applications to be filed in a timely fashion should deficits materialize.

The RM has asked the PUB to approve the recovery of the 2011 deficit from the accumulated surplus account and the 2014 deficit through a rate rider of \$.43 per 1,000 gallons for a period of approximately three years.

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 is defined as the Utility fund balance, excluding any capital related items plus Utility reserves.

As per the 2015 audited financial statements, the combined working capital surplus for the Utility at December 31 was:

	2015	2014
Fund Surplus	\$5,228,245	\$4,863,604
Deduct tangible capital assets	\$6,308,969	\$6,361,911
Add long term debt	\$ 977,860	\$ 843,343
Add utility reserves	\$ 226,627	\$ 197,375
<b>Equals Working Capital Surplus/Deficiency</b>	<b>\$ 123,763</b>	<b>-\$ 457,589</b>
Annual operating costs	\$ 813,377	
<b>Target: 20% of annual operating costs</b>	<b>\$ 162,675</b>	

The PUB will approve the recovery of the 2011 deficit of \$78,480 through the Utility accumulated surplus account and the 2014 deficit of \$39,163 through a rate surcharge of \$.43 per 1,000 gallons for a period of three years or until the RM has collected \$39,163, whichever comes first.

### Issue 3 – The RM has requested approval of the cost allocation methodology

The PUB 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 PUB for approval and cannot be changed without receiving approval from the PUB. The PUB's requirements regarding cost allocation methodologies can be found in Board Order No. 93/09. The RM submitted the following cost allocation methodology for approval. Administration salary and benefits are to be allocated to the Utility based on the following percentages:

Chief administrative officer	10%
Assistant chief administrative officer	14%
Tax/utility clerk	60%

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



## 5.0 IT IS THEREFORE ORDERED THAT:

- 1) Revised water and wastewater rates for the Rural Municipality of Cartier Utility BE AND ARE HEREBY APPROVED in accordance with the attached Schedule "A", effective October 1, 2016.
- 2) The Rural Municipality of Cartier is to provide a notice to its customers, including the decisions found in this Order, in the next quarterly billing with a copy provided to the Public Utilities Board.
- 3) The Rural Municipality of Cartier submit a copy of its water and wastewater rate By-law to the Public Utilities Board once it has received third and final reading.
- 4) The Rural Municipality of Cartier review its water and 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 June 30, 2019.
- 5) The Rural Municipality of Cartier's 2011 actual operating deficit, when calculated for regulatory purposes, of \$78,480 is HEREBY APPROVED to be recovered through the accumulated surplus fund.
- 6) The Rural Municipality of Cartier's 2014 actual operating deficit, when calculated for regulatory purposes, of \$39,163 is HEREBY APPROVED to be recovered through a rate rider of \$.43 per 1,000 gallons of consumption for a period of three years beginning January 1, 2017 or until the revenue for the rate rider has reached \$39,163, whichever comes first.
- 7) The cost allocation methodology for shared services and equipment as submitted by the Rural Municipality of Cartier BE AND IS HEREBY APPROVED.

Fees payable upon this Order - \$750.00

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.pub.gov.mb.ca](http://www.pub.gov.mb.ca).

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. 125/16 issued  
by The Public Utilities Board

\_\_\_\_\_  
Acting Secretary

**RURAL MUNICIPALITY OF CARTIER  
WATER & SEWER UTILITY RATES BY-LAW NO.  
SCHEDULE "A"**

1. Schedule of Commodity Rates

**July 1, 2016**

Rates per 1,000 gallons

1,000 gallons per quarter

Water	Sewer	Water & Sewer
\$11.91	\$4.13	\$16.04

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 & Sewer Customers**

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Water & Sewer Total Monthly Minimum
5/8 inch	1	3,000	\$14.13	\$35.73	\$12.39	\$62.25
¾ inch	2	6,000	\$14.13	\$71.46	\$24.78	\$110.37
1 inch	4	12,000	\$14.13	\$142.92	\$49.56	\$206.61
1 ½ inch	10	30,000	\$14.13	\$357.30	\$123.90	\$495.33
2 inch	25	75,000	\$14.13	\$893.25	\$309.75	\$1,217.13
3 inch	45	135,000	\$14.13	\$1,607.85	\$557.55	\$2,179.53
4 inch	90	270,000	\$14.13	\$3,215.70	\$1,115.10	\$4,344.93

**b. Water Only Customers**

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

**c. Sewer Only For Residential Customers:**

The Rural Municipality of Cartier will charge a flat rate quarterly amount for owners or occupants of land serviced with sewer but no water as follows:

Customer Service Charge	\$14.13
Commodity Charge (based on 11,000 gallons)	<u>\$45.43</u>
<b>Total Quarterly Charge</b>	<b><u>\$59.56</u></b>

3. Bulk Sales

All water sold in bulk by the Rural Municipality of Cartier will be charged at the rate of \$12.00 per 1,000 gallons on a pro-rated basis for all quantities greater than 500 gallons. For any quantity of 500 gallons or less, the minimum charge will be \$6.00.

1. Schedule of Commodity Rates  
Rates per 1,000 gallons

**January 1, 2017**

1,000 gallons per quarter

Water	Sewer	Water & Sewer
\$13.36	\$4.16	\$17.52

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 & Sewer Customers**

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Water & Sewer Total Monthly Minimum
5/8 inch	1	3,000	\$16.06	\$40.08	\$12.48	\$68.62
¾ inch	2	6,000	\$16.06	\$80.16	\$24.96	\$121.18
1 inch	4	12,000	\$16.06	\$160.32	\$49.92	\$226.30
1 ½ inch	10	30,000	\$16.06	\$400.80	\$124.80	\$541.66
2 inch	25	75,000	\$16.06	\$1,002.00	\$312.00	\$1,330.06
3 inch	45	135,000	\$16.06	\$1,803.60	\$561.60	\$2,381.26
4 inch	90	270,000	\$16.06	\$3,607.20	\$1,123.20	\$4,746.46

**b. Water Only Customers**

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

**c. Sewer Only For Residential Customers:**

The Rural Municipality of Cartier will charge a flat rate quarterly amount for owners or occupants of land serviced with sewer but no water as follows:

Customer Service Charge	\$16.06
Commodity Charge (based on 11,000 gallons)	<u>\$45.76</u>
Total Quarterly Charge	<u>\$61.82</u>

3. Bulk Sales

All water sold in bulk by the Rural Municipality of Cartier will be charged at the rate of \$13.50 per 1,000 gallons on a pro-rated basis for all quantities greater than 500 gallons. For any quantity of 500 gallons or less, the minimum charge will be \$7.00.

1. Schedule of Commodity Rates  
Rates per 1,000 gallons

**January 1, 2018**  
1,000 gallons per quarter

Water	Sewer	Water & Sewer
\$14.98	\$4.19	\$19.17

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 & Sewer Customers**

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Water & Sewer Total Monthly Minimum
5/8 inch	1	3,000	\$18.30	\$44.94	\$12.57	\$75.81
¾ inch	2	6,000	\$18.30	\$89.88	\$25.14	\$133.32
1 inch	4	12,000	\$18.30	\$179.76	\$50.28	\$248.34
1 ½ inch	10	30,000	\$18.30	\$449.40	\$125.70	\$593.40
2 inch	25	75,000	\$18.30	\$1,123.50	\$314.25	\$1,456.05
3 inch	45	135,000	\$18.30	\$2,022.30	\$565.65	\$2,606.25
4 inch	90	270,000	\$18.30	\$4,044.60	\$1,131.30	\$5,194.20

b. **Water Only Customers**

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

c. **Sewer Only For Residential Customers:**

The Rural Municipality of Cartier will charge a flat rate quarterly amount for owners or occupants of land serviced with sewer but no water as follows:

Customer Service Charge	\$18.30
Commodity Charge (based on 11,000 gallons)	<u>\$46.09</u>
Total Quarterly Charge	<u>\$64.39</u>

3. Bulk Sales

All water sold in bulk by the Rural Municipality of Cartier will be charged at the rate of \$15.00 per 1,000 gallons on a pro-rated basis for all quantities greater than 500 gallons. For any quantity of 500 gallons or less, the minimum charge will be \$7.50.

**The following clauses take effect July 1, 2016:**

4. Service To Customers Outside RM Limits

The Council of Rural Municipality of Cartier may sign Agreements with customers for the provision of water and sewer services to properties located outside the boundaries of the RM. 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 the RM boundaries. In addition, all costs of connecting to the Utility's mains, and installing and maintaining, will be paid by the customer.

5. Billings And Penalties

Accounts shall be billed quarterly and the due date shall be at least 20 days after the mailing of the bills.

A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date.

6. Disconnection

The Public Utilities Board has approved the Conditions Precedent to be followed by the RM 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 RM's office.

7. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties, and a reconnection fee of \$40.00 have been paid.

8. Outstanding Bills

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

9. Hydrant Charges

The Rural Municipality of Cartier shall pay to the Utility an annual hydrant charge of \$100.00 for each hydrant connected to the System.

#### 10. Water Allowance Due To Line Freezing

Where, at the request of CAO, a customer is allowed to run water continuously for any period of time to prevent the water lines in the water system from freezing, the charge to that customer for the current quarter shall be the average of billings for the last two quarters for the same customer, or the same premises if the occupant has changed.

#### 11. Sewer 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. Meter Testing

That in any case where a utility customer requests that a meter be tested for accuracy, the RM will 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 RM. If the meter is found to be in proper working order, all costs associated with the testing process will be borne by the customer.

#### 13. 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 RM's water system.

If a condition is found to exist which, in the opinion of the RM, is contrary to the aforesaid, the RM 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.

#### 14. Authorization For Officer To Enter Upon Premises

The Public Works Manager, or other employee authorized by the RM 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 RM.