

Order No. 101/19

**RURAL MUNICIPALITY OF PRAIRIE LAKES
LOCAL IMPROVEMENT DISTRICT No. 1 of DUNREA
DUNREA WATER UTILITY
REVISED RATES FOR MAY 30, 2020 AND MAY 30, 2021**

July 18, 2019

**BEFORE: Marilyn Kapitany, B.Sc. (Hon), M.Sc., Panel Chair
Carol Hainsworth, C.B.A., Member**

Table of Contents

1.0	Executive Summary.....	3
2.0	Background	3
	Water Supply/Distribution	3
	Unaccounted for Water	4
3.0	Application.....	4
	Contingency Allowance and Utility Reserves.....	5
	Working Capital Surplus/Deficit	6
4.0	Board Findings	7
5.0	IT IS HEREBY ORDERED THAT:.....	9
	SCHEDULE A.....	11

1.0 Executive Summary

By this Order, the Public Utilities Board (Board) varies the revised water rates for the Rural Municipality of Prairie Lakes (RM), Dunrea Water Utility (Utility) as shown below.

The approved rates are as follows:

	Current By-Law 20 of 2015	May 30, 2020	May 30, 2021
Annual Service Charge	\$ 10.50	\$ 17.44	17.44
Water - Annual Flat Fee*	\$ 462.00	\$ 683.33	700.3
Total Annual Bill*	\$ 472.50	\$ 700.77	\$ 717.74

*Based on 1 Residential Equivalency Unit (REU)

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 owns and operates a water utility serving 43 customers in the RM representing 43.5 REUs. Wastewater collection services are not provided. One REU is calculated as the volume of water estimated to be used by the average single-family residence. REUs are used in communities with unmetered distribution and/or collection systems, where information regarding actual consumption is unavailable.

On January 3, 2019, Board Order No. 3/19 approved actual operating deficits of \$2,305 for 2015 and \$1,492 for 2016, each to be recovered from the Utility's accumulated surplus.

Water Supply/Distribution

The water treatment plant was built in approximately 1970 and was upgraded in 2009. Water is sourced from a nearby well. Treatment consists of a main stream slow sand filtration system that includes ozone pre-oxidation, a roughing filter, two bio-sand filters, and a bio-carbon filter.

Unaccounted for Water

The acceptable percentage of unaccounted water is 10%. If the percentage is above this amount, the applicant is to explain why and provide a plan to remedy.

Water usage in the Utility is not metered and therefore the amount of unaccounted for water is not available.

3.0 Application

On April 3, 2019, the RM applied for revised water rates as set out in By-Law No. 5 of 2019 having had first reading March 12, 2019. The application was supported by a rate study prepared by the RM's consultant. Rates were last approved in 20016 in Board Order No. 79/16.

A Public Notice of Application was issued on April 4, 2019 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the RM on or before May 4, 2019. One complaint was received from consumers.

When reviewing an application, the Board has at its disposal two approaches, either a paper or a public hearing review. After the publication of the Notice of Application, the Board considers the application and stakeholder responses, 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 process. Given the Board was advised of only one issue/complaint, the Board has chosen a paper review process for the application.

The rates were calculated based on the following projections using an inflation rate of 3% in all calculations:

Schedule of Utility Rate Requirements – Dunrea Water Utility 2019 to 2021 Budget Forecasts (\$)			
	2019	2020	2021
	Forecast		
General Expenses			
Administration	1,000	1,030	1,061
Working Capital Surcharge	-	234	-
Total General Expenses	1,000	1,264	1,061
Revenue			
Penalties	250	250	250
Total General Revenues	250	250	250
Net Costs General	750	1,014	811
Water Expenses			
Purification and Treatment	12,200	12,566	12,943
Transmission and Distribution	9,500	9,785	10,079
Amortization/Depreciation	4,156	4,156	4,156
Reserves	5,435	5,435	5,435
Contingency	2,170	2,235	2,302
Total Wastewater Expenses	33,461	34,177	34,915
Revenue			
Amortization of Capital Grants	1,017	1,017	1,017
Taxation Revenues – Water Debt	3,435	3,435	3,435
Total Wastewater Revenue	4,452	4,452	4,452
Net Costs Water	29,009	29,725	30,463
Net Operating Costs	29,759	30,739	32,085

The proposed Utility rate increases are required due to existing rates being insufficient to provide for the Utility's operating costs.

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 \$2,170 in 2019, 2,235 in 2020, and \$2,302 in 2021 in the proposed rates as a contingency allowance.

The RM advises the current Council and administration are concerned with the requirement to be able to provide for unexpected expenses and has therefore included an annual transfer of \$5,435 to reserve in the application to provide for these costs as well as future Utility upgrades.

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 2017 Audited Financial Statements, the most recent information available, the working capital surplus at December 31, 2017 was:

	2017
Utility Fund Surplus/Deficit	\$136,684
Deduct: Tangible Capital Assets	(118,330)
Add: Long-Term Debt	-
Add: Utility Reserves	8,963
Equals Working Capital Surplus (Deficit)	\$27,317
Operating Expenses	25,859
20% of Operating Expenses (Target)	\$5,172

The Utility currently 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 rate study does not propose any changes to the existing Cost Allocation Methodology valuing shared costs at \$1,000 per year, as approved in Board Order No. 79/16.

4.0 Board Findings

The Board has reviewed the application and the projections presented by the RM in its Rate Application and finds them to be reasonable. The Board, however, based on the RM's calculations for rate requirements does not accept the RM's request for only one year of revised rates related only to the Utility's 2019 annual billing year's forecasted rate requirements. The Board varies the Annual Service Charge and water rates to align with the forecasted rate requirements using the RM's projections for the 2020 and 2021 annual billing years, effective May 30, 2020 and May 30, 2021 to coincide with the Utility's annual billing period.

The Board notes the calculations used to forecast the Annual Service Charge have been varied in-keeping with the RM's previously approved Cost Allocation Methodology for shared services, to which the RM has requested no changes. The Board also removed a forecasted cost of \$234 for Working Capital Surcharges that were forecast due to an error in the Public Utility Board's spreadsheet tool used for forecasting. The final calculation used equates to \$1,000 per year for shared costs; less \$250 per year in Revenue from Penalties; divided by 43 customers; equals the Annual Service Charge of \$17.44 per customer per year.

The Board is sensitive to the impact of utility rate increases to ratepayers, however, the Board must also consider the sustainability of the Utility when approving rates. The Utility has experienced deficits in 2015 and 2016 due to insufficient rates and the Board finds approving the RM's request for one year of revised rates would likely result in future year's deficits and increased expenses required to complete another rate review and Application in the immediate future.

The Board requires the RM to review its water rates for the Utility for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates on or before December 31, 2021.

The Board reminds the RM to familiarize itself with the Public Utilities Board Guidelines for preparing submissions to the Board for approval of water rates. Fair and equitable rates are highly dependent on the accuracy of the underlying utility records and the appropriate rates required to cover the forecasted allocation of costs in each year to prevent operating deficits. The Board also reminds the RM to plan its Rate Applications to the Board accordingly, to allow the Board sufficient time to review and analyze the rates requested. It is not reasonable to expect the Board to review and approve revised rates requested in April of a given year, for a May billing date in that same year.

The Board has not received the RM's 2018 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 water rates for the Rural Municipality of Prairie Lakes, Dunrea Water Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule "A", effective May 30, 2020 and May 30, 2021.
2. The Rural Municipality of Prairie Lakes 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.
3. The Rural Municipality of Prairie Lakes amend its water 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.
4. The Rural Municipality of Prairie Lakes review its water 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 December 31, 2021.
5. The Rural Municipality of Prairie Lakes submit its 2018 audited financial statements by no later than September 30, 2019.

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

"Marilyn Kapitany"
Panel Chair

"Frederick Mykytyshyn"
Assistant Associate Secretary

Certified a true copy of Order No. 101/19
issued by The Public Utilities Board


Assistant Associate Secretary

SCHEDULE A

**THE RURAL MUNICIPALITY OF PRAIRIE LAKES
LOCAL IMPROVEMENT DISTRICT OF DUNREA
DUNREA WATER UTILITY
WATER UTILITY RATES BY-LAW NO. 5 OF 2019
SCHEDULE OF ANNUAL RATES**

Schedule of Annual Rates – May 30, 2020

<u>REU</u>	<u>Customer</u>	<u>Annual Service Charge</u>	<u>Water Commodity Charge</u>	<u>Total Annual Bill</u>
1	Single Family Residence Church	\$17.44	\$683.33	\$700.77
1.5	Small Retail, with 1 Ste. and Beauty Shop, Small Retail Service Station, and Café – 30 to 50 seats	\$17.44	\$1,025.00	\$1,042.44

Schedule of Annual Rates – May 30, 2021

<u>REU</u>	<u>Customer</u>	<u>Annual Service Charge</u>	<u>Water Commodity Charge</u>	<u>Total Annual Bill</u>
2	Single Family Residence Church	\$17.44	\$700.30	\$717.74
1.5	Small Retail, with 1 Ste. and Beauty Shop, Small Retail Service Station, and Café – 30 to 50 seats	\$17.44	\$1,050.45	\$1,067.89

The following clauses take effect May 30, 2020:Service To Customers Outside L.I.D. #1 Limits

The council of the Rural Municipality of Prairie Lakes may sign agreements with customers for the provisions of WATER service to property located outside the legal boundaries of the Local Improvement District of Dunrea.

Such Agreements will provide for payment of the appropriate rates set forth in the tables above as well as any surcharge, set by Resolution of Council which will be equivalent to the frontage levy and general and special taxes for utility purposes in effect at the time of as may be in effect from time to time and would be levied on the property concerned if it were within these boundaries. In addition, all costs for connection to the utility's mains, installing and maintaining service connections will be paid by the customer.

Billings and Penalties

Accounts shall be billed on an annual basis by June 30th of each year and shall be due and payable on October 31st of each year.

A penalty of 1.25% of the amount of the bill shall be added if not paid by the due date. For every month after that, a further penalty of 1.25% of the outstanding amount of the bill shall be added.

Connection

That application to connect to the water system must be made to the Municipal Office, in accordance with the policies for installation and upon a fee of \$100.00 to be deposited; a connection fee for the remaining annual rate will be due upon installation.

Disconnection

"The Public Utilities Board, in its Board Order No. 39/09, 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 office."

Reconnection

Any service disconnected, due to non-payment of account shall not be reconnected until all arrears, penalties, and a reconnection fee of \$100.00 have been paid.

Outstanding Bills

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