

Order No. 116/19

**TOWN OF MINNEDOSA
WATER & WASTEWATER UTILITY
WATER AND WASTEWATER RATES &
RECOVERY of 2017 OPERATING DEFICIT
EFFECTIVE OCTOBER 1, 2019**

August 16, 2019

BEFORE: Shawn McCutcheon, Panel Chair
Robert Gabor, Q.C., Panel Member
Irene Hamilton, Q.C., Panel Member
Marilyn Kapitany, Panel Member

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1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) approves the revised water and wastewater rates for the Town of Minnedosa (Town), Town of Minnedosa Water and Wastewater Utility (Utility). The previous and approved rates are below:

	By-law 2538	By-law 2559
	Previous Rates	Approved Rates October 1, 2019
Quarterly service charge	\$17.75	\$17.00
Water - domestic rate (\$/first 500 cubic meters per quarter)	\$2.06	\$3.77
Water - wholesale rate (\$/over 500 cubic meters per quarter)	\$0.47	\$0.64
Wastewater (\$/cubic meter)	\$0.90	\$0.61
Husky Wastewater (\$/cubic meter)	\$0.23	\$0.61
Minimum quarterly charge*	\$59.19	\$78.32
Non-metered water and wastewater customers**	\$275.27	\$398.06
Bulk water sales per cubic meter	\$2.27	\$4.00
*Based on 14 cubic meters		
**Based on average of 87 cubic meters per quarter consumption		
	By-law 2539	By-law 2560
	Current	October 1, 2019
Lagoon tipping fees***		
Hauling from Town residences	\$5.33	\$4.02
Hauling from out of Town residences	\$10.20	\$7.34
***Minimum per use fee up to 4.54 kilolitres		

Details of other rates are in the attached Schedule "A".

The Board approves recovery of the 2017 operating deficit in the amount of \$133,450 through a rate rider of \$0.20 per cubic meter for a period of two years beginning October 1, 2019. The rate rider is to be collected from all customers excluding Husky Energy Inc. (Husky).

The reasons for the Board's decisions are found in the "Board Findings" section of this Order.

2.0 Background

The Town owns and operates a water and wastewater utility serving 1,084 water and wastewater customers, 15 water only customers and two unmetered customers for a total of 1,101 customers. The Town's two largest customers, Husky and the Rural Municipality of Minto-Odanah (RM), are billed monthly and all other customers are billed quarterly. Rates were last approved in 2015 in Board Order No. 146/15.

The following table is a breakdown of the current and projected list of customers according to meter size:

Meter Size		2016	2020
16mm	5/8"	1,052	1,052
19mm	3/4"	0	0
25mm	1"	23	23
38mm	1 1/2"	11	11
50mm	2"	12	12
100mm	4"	1	1
200mm	8"	0	0
No Meter		2	2
Total		1,101	1,101

There are three (3) notable water only customers: the RM, the Parks Board and Redfern Farm Equipment, which do not return water to the Town's wastewater system. The Parks Board and Redfern Farm Equipment are seasonal customers.

The two (2) unmetered customers are the Fire Hall and Tanner Crossing Park, which are operated by the Town. These unmetered customers are billed a flat quarterly rate based on 87 cubic meters, with the assumption that consumption would resemble a household of four (4), using 250L/day per person. The Town has advised the Board it has no plans to install meters as they are owned by the Town.

The Utility has a two-step rate structure to accommodate the Town's two large volume users. A domestic rate is charged for the first 500 cubic meters of water sold per quarter

and then a wholesale rate is charged for all volumes of water sold over 500 cubic meters per quarter.

Husky is charged the wastewater rate for 25% of its water purchases. Approximately 75% of the water purchased is consumed in the ethanol production process and is not returned to the wastewater system.

The Town also sells water outside of its boundaries to the RM of Minto-Odanah, which has an agreement with the town passed by Council Resolution, and is charged the wholesale rate.

Water Supply and Distribution

The Town owns and operates two water treatment plants and the water distribution system. The Town receives its raw water from four municipal wells.

Water Treatment Plant #1 (WTP #1) was originally constructed in 1961, with major upgrades and expansion in 1998. In 2007/2008 new piping, new distribution pumps with variable frequency drives and a new dry chemical treatment process were installed.

Water Treatment Plant #2 (WTP #2) was originally constructed in 1967, with major upgrades and expansion in 2007.

The original water distribution system was installed in 1952 using cast iron mains. Since 1980, all new main installations incorporated PVC pipes. The Town has developed a water main renewal program where portions of all older mains are replaced annually with PVC pipe. The renewal program reacts to visible water main breaks, rather than proactively replacing them with other infrastructure upgrades.

Wastewater Collection and Treatment

The original wastewater collection system was installed in 1952, and is composed mostly of concrete wastewater pipe with some asbestos cement and clay tile used in the late 1960s. However, starting in 1980 all new installations used PVC pipe. Due to

topography, low-lying areas are difficult to service with a gravity wastewater system that is dependent upon the amount of water used.

The Town's wastewater is treated at an aerated two-cell stabilization pond. The facility has a year round continuous discharge to the Little Saskatchewan River with discharges meeting the facility's license requirements.

Unaccounted for Water

As per the Board's Water and Wastewater Rate Application Guidelines, the acceptable percentage of unaccounted for water is 10%, based on industry standard. If the percentage exceeds 10% the applicant must provide an explanation and a plan to remedy.

In its Application, the Town states that there is a notable amount of unaccounted for water in its system. All the unaccounted for water can be attributed to the Town's older distribution system that is serviced by WTP #1.

Most of the water loss is assumed to be from unknown leaks in the older parts of the distribution network. The topography, high water table, and proximity of the river running through Town creates an environment where leaks are not readily apparent, and can stay hidden and undetected for long periods of time. The Town is repairing detected leaks and has generally been more reactive than proactive for the last number of years. The Town notes that it uses the services of a leak detection specialist to assist when it can.

In addition, the Town has approximately 60 bleeder taps (small amount of water left running from a tap) used through the winter season to prevent the freeze-up of shallow pipes. The Town states it suspects a significant number of these taps may be left on throughout the year as customers forget to turn them off, further contributing to water loss.

The Town is continuing with a program to replace old iron mains with new PVC pipe to mitigate water main breaks. This should reduce the amount of water losses in the distribution system.

Through an information request from the Board, the Town further identified that a water system assessment would be taking place in 2018 to look at the water balances. Specifically, water meters in the system and at WTP #1 would be reviewed, as well as the billing software and an audit of the record keeping to see if other factors are contributing to the water losses.

The two (2) tables below summarize the unaccounted for water for each of the water treatment plants. WTP #1 has notable unaccounted for water while WTP #2 has nearly all water accounted for.

WTP #1					
YEAR	Volume of Water Produced	Bulk Water Sold	Water Meter to Town	Un-Metered Water Use	% Unaccounted for Water
2012	406,050	60,616	81,794	6,000	63.45%
2013	536,051	54,000	236,618	6,000	44.67%
2014	674,900	55,727	108,050	6,000	74.84%
2015	616,080	99,325	196,979	6,000	50.93%
2016	642,099	113,489	164,543	6,000	55.77%
WTP #2					
YEAR	Volume of Water Produced	Bulk Water Sold	Water Meter to Town	Water Sold to Husky	% Unaccounted for Water
2012	870,162	7,709	232,353	628,295	0.21%
2013	716,908	9,377	70,554	636,992	0.00%
2014	712,406	8,555	98,275	605,562	0.00%
2015	689,877	9,347	93,150	587,413	0.00%
2016	625,429	8,400	22,748	594,247	0.01%

Husky purchases approximately 85-90% of the water sold from WTP #2, with 13 customers from the Town's Industrial Park making up the remainder of the water treatment plant use.

The efforts and costs for repairing the leaks are in the proposed domestic step rate, which is the rate paid by all Town customers on the first 500 cubic meters consumed per quarter. There has been an increase in water distribution costs of nearly 50% since 2013, which the Town states is largely as a result of repairing leaks. The customer allocation between the two water treatment plants is further explained under Section 3.0 Application.

3.0 Application

On October 30, 2017, the Board received an application for revised rates for three (3) years (2018-2020) from the Town of Minnedosa. The application was accompanied by a rate study completed by the Town's consultant. Proposed water and wastewater rates are set out in By-law No. 2559, read for the first time on October 10, 2017. Proposed lagoon tipping fees are set out in By-law 2560, read for the first time on March 13, 2018.

For the purposes of this rate study, the Utility assumed that the annual water sales will be static at the 2017 volume over the next three (3) years and the current number of Utility customers would remain constant. The Town has requested three (3) years of static rates. The proposed new rates reflect increases in general utility costs based on inflation, as well as the most recent trends in water consumption and system operations. The Town states the proposed rates should be fair to customers while providing adequate revenue to the utility for operations, maintenance, and reserves for any future capital expenditure.

The rates in the application were calculated using the Board's template for 2-step rate-wholesale-domestic rate in cubic meters; however, modifications were made to the template to account for the utility having two water treatment plants and a large user (Husky) that uses most of the water produced from WTP #2.

The wholesale rate is charged for all water sold over 500 cubic meters in a quarter, Husky and the RM of Minto-Odanah are the sole purchasers of water at the wholesale rate. All other customers are charged the domestic rate.

Husky obtains its water supply from WTP #2 and since nearly 90% of the wholesale water sales are to Husky, the Utility elected to calculate the wholesale step rate on the production costs related to WTP #2 only. This does not align with Board guidelines. Wholesale rates are typically calculated based on total water production costs, which would include both water treatment plants in the case of this Utility. The Town modified the Board's template allowing the Utility to split the costs of WTP #1 and WTP #2.

The Utility calculated the domestic step rate using the expenses related to the distribution system as well as the production of water from WTP #1. This is also a modification of the Board's guidelines; the domestic rate should be based on all water distribution costs, and no water production costs.

The Utility previously used the Board's guidelines to calculate the wholesale and domestic rates. The Utility justified its revised methodology, stating the new rates were fairer for allocating the recovery of the cost of water losses. The Town also stated that a failure to implement the rates, as applied for, would put its industrial agreement with Husky at risk.

The proposed wastewater rate is approximately a 30% decrease reflecting a reduction in budgeted costs and wastewater reserve contribution. The Town advises the reduction of the reserve contribution is to mitigate the increase in the domestic water rates, to help smooth the effect of the increase.

The application noted four (4) major capital projects proposed to take place during 2017-2020. Through information requests from the Board, the Town advised that it does not have a sufficient budget to pursue the projects and therefore has not obtained any funding.

A Public Notice of Application was issued on June 1, 2018 affording the customers the opportunity to comment to both the Board and the Town with respect to the proposed rate changes. No responses were received by the Board or the Town.

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.

If a public hearing is not held when making its decision, the Board proceeds with a detailed paper review process which includes consideration of all comments and concerns received and may include additional information requests to the utility's application.

The Board has reviewed this application and has chosen a paper review process.

The Town used the following revenue projections and 1% rate of inflation to calculate utility rates:

	Actual		Forecasts		
	2016	2017	Year 1	Year 2	Year 3
General					
<i>Expenses</i>					
Administration	\$ 110,762	\$ 117,513	\$ 69,690	\$ 70,387	\$ 71,091
Billing and collection	\$ 7,176	\$ 6,769	\$ 7,140	\$ 7,211	\$ 7,284
Total General Expenses	\$ 117,938	\$ 124,282	\$ 76,830	\$ 77,598	\$ 78,375
<i>Revenue</i>					
Penalties	\$ 2,557	\$ 2,617	\$ 3,000	\$ 3,000	\$ 3,000
Total General Revenue	\$ 2,557	\$ 2,617	\$ 3,000	\$ 3,000	\$ 3,000
Net Rate Revenue Requirement - General	\$ 115,381	\$ 121,665	\$ 73,830	\$ 74,598	\$ 75,375
Water					
<i>Expenses*</i>					
Production WTP #1					
Staffing			\$ 45,957	\$ 46,417	\$ 46,881
Water Admin 25%			\$ 11,661	\$ 11,778	\$ 11,895
Purification and treatment	\$ 337,287	\$ 333,455	\$ 135,435	\$ 136,789	\$ 138,157
Amortization/Depreciation	\$ 278,759	\$ 278,607	\$ 33,477	\$ 31,549	\$ 29,622
Contingency	\$ -	\$ -	\$ 13,543	\$ 13,679	\$ 13,816
Subtotal - Production WTP#1	\$ 616,046	\$ 612,062	\$ 240,073	\$ 240,212	\$ 240,371
Production WTP#2					
Staffing			\$ 33,738	\$ 34,075	\$ 34,416
Water Admin 25%			\$ 11,661	\$ 11,778	\$ 11,895
Purification and treatment			\$ 162,610	\$ 164,236	\$ 165,878
Debenture Cost of WTP#2			\$ 184,823	\$ 184,823	\$ 184,823
Amortization/Depreciation			\$ 225,697	\$ 224,975	\$ 224,975
Contingency			\$ 16,261	\$ 16,424	\$ 16,588
Subtotal - Production WTP#2	\$ -		\$ 634,790	\$ 636,311	\$ 638,575
Subtotal Water Production Expenses	\$ 616,046	\$ 612,062	\$ 874,863	\$ 876,523	\$ 878,946

	Actual		Forecasts		
	2016	2017	Year 1	Year 2	Year 3
<i>Water Distribution Expense</i>					
Staffing			\$ 73,933	\$ 74,672	\$ 75,419
Transmission and Distribution	\$ 434,732	\$ 504,162	\$ 390,667	\$ 394,574	\$ 398,519
Water Admin 50%			\$ 23,322	\$ 23,555	\$ 23,791
Amortization/Depreciation			\$ 14,679	\$ 14,679	\$ 14,482
Contingency			\$ 39,067	\$ 39,457	\$ 39,852
Subtotal Distribution Expense	\$ 434,732	\$ 504,162	\$ 541,668	\$ 546,937	\$ 552,063
Other water supply costs	\$ 24,479	\$ 26,717			
Interest on long debt	\$ 60,562	\$ 55,529			
Total Water Expenses	\$ 1,135,819	\$ 1,198,470	\$ 1,416,531	\$ 1,423,461	\$ 1,431,009
Water Revenue					
Water rate charges	\$ 1,345,288	\$ 1,259,617			
Hydrant rentals	\$ 20,700	\$ 20,700	\$ 21,150	\$ 21,150	\$ 21,150
Bulk water sales	\$ 19,115	\$ 11,838	\$ 35,000	\$ 35,000	\$ 35,000
Investment income	\$ 3,230	\$ 1,329			
Other income	\$ 12,868	\$ 6,010			
Government transfers	\$ 35,806	\$ 205,744			
Amortization of capital grants - WTP#1			\$ 10,605	\$ 10,605	\$ 10,605
Amortization of capital grants - WTP#2			\$ 50,305	\$ 50,305	\$ 50,305
Amortization of capital grants - Distribution			\$ 2,385	\$ 2,385	\$ 2,385
Non-rate revenue - production WTP#1			\$ 10,605	\$ 10,605	\$ 10,605
Non-rate revenue - production WTP#2			\$ 50,305	\$ 50,305	\$ 50,305
Non-rate revenue - distribution			\$ 58,535	\$ 58,535	\$ 58,535
Total Revenue Water			\$ 119,445	\$ 119,445	\$ 119,445
Net Rate Revenue Requirement - Production WTP#1			\$ 229,468	\$ 229,607	\$ 229,766
Net Rate Revenue Requirement - Production WTP#2			\$ 584,485	\$ 586,005	\$ 588,270
Net Rate Revenue Requirement - Distribution			\$ 483,133	\$ 488,403	\$ 493,528
Net Rate Revenue Requirement Water			\$ 1,297,086	\$ 1,304,015	\$ 1,311,564

Wastewater	Actual		Forecasts		
	2016	2017	Year 1	Year 2	Year 3
Wastewater Expenses					
Staffing			\$ 24,702	\$ 24,949	\$ 25,198
Sewage Collection System	\$ 23,037	\$ 17,821	\$ 23,828	\$ 24,067	\$ 24,307
Sewage Lift Station	\$ 41,582	\$ 68,139	\$ 48,560	\$ 49,045	\$ 49,536
Sewage Treatment and Disposal	\$ 90,808	\$ 55,872	\$ 63,702	\$ 64,339	\$ 64,982
Amortization/Distribution	\$ 23,567	\$ 34,272	\$ 35,484	\$ 35,484	\$ 35,484
Reserves			\$ 25,000	\$ 25,000	\$ 25,000
Contingency			\$ 10,000	\$ 10,000	\$ 10,000
Total wastewater expenses	\$ 178,994	\$ 176,104	\$ 231,276	\$ 232,884	\$ 234,507
Wastewater Revenue					
Lagoon Tipping Fees			\$ 5,000	\$ 5,000	\$ 5,000
Amortization of capital grants			\$ 11,185	\$ 11,185	\$ 11,185
Total wastewater revenue			\$ 16,185	\$ 16,185	\$ 16,185
Net rate revenue requirement - wastewater			\$ 215,091	\$ 216,699	\$ 218,322

Note: The audited financial statements do not break down the water expenses related to production costs per WTP.

On August 22, 2018, the Board sent a number of information requests to the Town for clarification of the Town's rate study. The Town responded on September 12, 2018.

Working Capital Calculation

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 the Utility fund balance, excluding any capital-related items plus Utility reserves.

As per the 2017 audited financial statements, the working capital position is in deficit as at December 31, 2017, which is non-compliant with the Board's guidelines.

	2017	2016
Accumulated Fund Surplus	3,766,219	3,552,220
Deduct tangible capital assets	5,368,216	5,174,087
Add long term debt	1,241,802	1,371,096
Add utility reserves	141,356	340,866
Equals Working Capital Surplus (Deficiency)	(218,839)	90,095
Operating costs	1,498,856	1,432,751
20% of operating costs (target)	299,771	286,550

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 duty bound to approve reasonable rates based on reasonable expense projections.

On March 19, 2018, the Town applied to the Board for approval of the 2017 unaudited operating deficit in the amount of \$105,886.87. The application requested the deficit be recovered from the Utility reserves, which reportedly had a balance of \$127,136.23 as of February 28, 2018.

The application was accompanied by Council Resolution No. 2018-039. The Town stated that the deficit was due to a shortfall in water revenues stemming from a dispute with its largest Utility customer and larger than anticipated expenditures relating to water breaks throughout the Town.

Cost Allocation Methodology

The Board requires all municipal governments to review the costs shared between 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 (CAM). This allocation must be submitted to the Board for approval and cannot be changed without receiving Board approval. The Board's requirements regarding cost allocation methodologies can be found in Board Order No. 93/09.

Shared Overhead: Includes all direct and indirect costs related to the administration of the utility			Flat Rate
Sub-Category	Activity	Expenses (object)	
Direct Overhead Costs	Meter reading and Billing \$6,000 Receipting and Collection \$6,000	<ul style="list-style-type: none"> • Salaries and wages • Benefits 	\$12,000
Indirect Overhead Costs	General administrative costs Shared office costs	<ul style="list-style-type: none"> • CAO salaries and benefits \$20,000 • Council Costs \$10,000 • Audit and legal • Interest cost on office space • Lease costs • Utilities (telephone, heat etc.) \$20,000 • Photocopying \$1,000 	\$56,000
Shared Direct Operating Costs: Includes all costs directly attributable to the maintenance and repair of the utility. Public works employees repair and maintain both transportation and utility infrastructure. A portion of the costs for the public works department should be allocated to the utility			Flat Rate
Sub-Category	Activity	Expenses (object)	
Direct Equipment Costs	Public Works buildings Vehicles Machinery and equipment	<ul style="list-style-type: none"> • Maintenance \$30,000 • Fuel \$15,000 • Insurance \$2,000 • Amortization • Interest Cost on equipment • Lease costs 	\$47,000

	Road construction and maintenance equipment		
Direct Labour	Labour costs directly attributable to the maintenance and repair of utility TCA	<ul style="list-style-type: none"> • Salaries and wages • Benefits 	\$12,000
<p>Shared Capital Costs: These shared costs <u>should not</u> be directly charged to the utility operations. Capital costs should be capitalized as a Tangible Capital Asset (TCA) and amortized to the utility operations over its useful life. Includes all costs directly attributable to the development and construction of a TCA for a utility. Public Works projects often construct transportation and utility assets at the same time. In these cases a portion of the road work should be allocated to the utility TCA based on the relative fair market value of the assets. The cost of the TCA can include interest costs on debt directly attributable to the development and construction of a TCA. Only interest owed to external parties such as banks or debenture holders. Capitalization of interest cost must end when there is no construction or when the asset is put into use.</p>			Flat Rate
Sub-Category	Activity	Expenses (object)	
Direct overhead costs	Administrative	<ul style="list-style-type: none"> • Legal fees • Survey costs • Design and engineering fees • Interests on debt 	\$5,000
Direct equipment costs	Operating costs for: Vehicles Machinery and equipment Road construction and maintenance Equipment	<ul style="list-style-type: none"> • Maintenance • Fuel • Insurance • Amortization • Interest cost on equipment • Lease costs 	\$10,000
Direct labour	Labour costs directly attributable to the development and construction of a utility TCA	<ul style="list-style-type: none"> • Salaries and wages • Benefits 	\$5,000

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 (i.e. If reconstructing a road and replacing services at the same time, a portion of the roadwork costs may be allocated to the Utility.)

Contingency Allowance and Utility Reserves

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

The Town has included in the rates a contingency allowance of 10% of variable operating costs. This equates to approximately \$70,000 built into water rates and \$10,000 built into wastewater rates annually. There is no provision allocated for reserves in the water rate. The wastewater rates include an annual contribution of \$25,000 for utility reserves.

Lagoon Tipping Fees

The current lagoon tipping fees are stated below as set out in By-law 2539.

Source of Wastewater	Minimum per use fee up to 4.54 kiloliters	Plus amount per kilolitre after any portion
Hauling from Town Residences	\$5.33	\$0.90
Hauling from Out of Town Residences	\$10.20	\$1.97

The proposed lagoon tipping fees in this application are:

Source of Wastewater	Minimum per use fee up to 4.54 kiloliters	Plus amount per kilolitre after any portion
Hauling from Town Residences	\$4.02	\$0.61
Hauling from Out of Town Residences	\$7.34	\$1.34

For out of town residence hauling, it is proposed that the tipping fee include an amount for administration of the hauler's paperwork in the Town's office.

Based on the estimated number of truck hauls per year, the Utility estimates the tipping fee will generate revenue of approximately \$5,000 per year. This is a relatively new fee and there still is limited data to accurately estimate the volume and revenues.

4.0 Board Findings

The review of the Town's application was delayed due to an issue between the Town and its largest volume customer, which was brought to the Board. After review, the Board issued a Notice of Hearing on May 1, 2019 to hear the dispute on June 11 to 13, 2019. The parties came to a resolution on June 5, 2019, and the Board adjourned the hearing. The Board has now reviewed the Town's rate and 2017 deficit applications.

The Board notes the following regarding the calculation of a two-step rate – Domestic and Wholesale, found in the Board's guidelines is as follows:

- **Wholesale Rate** is equal to the total production costs divided by the volume of water sold.
- **Domestic Rate Increment** is equal to all water distribution costs less hydrant rentals divided by the volume of water sold at domestic and bulk rates
- **Domestic Rate** is equal to the domestic rate increment plus the wholesale rate.

The Town's rate calculations do not follow the Board's guidelines to calculate the water rates. Instead of calculating the wholesale rate using the total production costs, only the water production costs for WTP #2 were used. The Town's rationale is that the biggest wholesale rate customer (Husky Energy) only uses water from WTP #2. The Town further indicated this was done to ensure that Husky would not be charged the lost revenue associated with the unaccounted for water mainly from WTP #1.

The following table shows the rates calculated using the Board's guidelines versus the Town's methodology:

	Board's Guidelines	Town's Proposed Rates
Wholesale water rate	\$0.89 per cubic meter	\$0.64 per cubic meter
Domestic water rates	\$2.96 per cubic meter	\$3.77 per cubic meter

The Board notes the audited financial statements do not break down the production costs attributed to each WTP. The Town's allocation of these costs are not verifiable, which is of concern to the Board. The Board also notes the 2017 audited financial statements indicate water fees totalling \$1,259,617. Sewer and lagoon tipping fees indicate there is no revenue. It is impossible to determine whether the water or wastewater rates are adequate when these are not properly indicated on the audited financial statements. The Town must ensure its auditor prepares Schedule 9 accurately to reflect the revenues collected.

The Board has general oversight over Utilities, including agreements made with industrial partners, such as the one between the Town and Husky. The Board encourages cooperation with industrial partners, and acknowledges the many economic advantages these partnerships bring to all ratepayers in the community. The Board must consider the interests of all stakeholders when reviewing rates and agreements with industrial partners.

The Board approves water and wastewater rates, as applied for by the Town but varies the effective date to October 1, 2019. The Board is sensitive to customer reaction to the magnitude of the rate increases; however, it must consider the sustainability of the Utility when approving rates.

The Board is concerned with the extremely high percentage of unaccounted for water from WTP #1 and the associated distribution lines. In 2016, WTP #1 could only account for 44.23% of the water it produced. Since 2012, the volume of unaccounted for water

exceeds the volume of water sold from WTP #1. The Town indicated that a Water System Assessment would be conducted in 2018 and that it would include a review of the water uses in the plant to determine if there are other contributing factors to the unaccounted for water. To date the Board has not been advised that this assessment has been completed. The Town's apparent lack of urgency in this matter is unacceptable.

This high amount of water loss is driving the domestic water rate to be higher than necessary, and the impact to the customers is substantial. Four (4) years ago, in Order No. 146/15, the Board also noted that the levels of unaccounted for water in this community were well outside the norm and needed close monitoring. The Board notes reported levels of unaccounted for water have increased significantly since Board Order No. 146/15.

The Board agrees that Husky should not be financially penalized for the water losses from WTP #1, and, for this reason, it will accept the methodology used to calculate the wholesale and domestic water rates in this application and approve the rates applied for. However, this methodology will not be accepted in future, as the Board finds the Town has been remiss in its management of these water losses. This inaction has directly resulted in a financial burden on its domestic customers.

The Board expects the Town to make water loss reduction and mitigation a priority, and suggests the Town provide notification and reminders on a regular basis to customers that have bleeder taps. The Board also recommends the Town meter the unmetered customers, as the consumption of unmetered customers is usually greater than that of metered customers. *The Municipal Act* gives the Town jurisdiction over equipment, if the Board had the authority to do so, it would Order the Town to install these meters.

The Board directs the Town to monitor its water produced and sold quarterly and to submit a report to the Board providing the volumes of water produced and sold, due two weeks after each quarterly billing.

The Board also directs the Town to provide an update on the status of the Water System Assessment on or before September 15, 2019 and submit a copy of the report once completed.

After reviewing the 2017 audited financials for the Town, the Board notes the Utility incurred a deficit of \$196,745.

When calculated for regulatory purposes, the 2017 actual operating deficit is \$133,450. The Board's calculation is as follows:

Net Operating Surplus	\$ 8,999	
Less: Capital Grants current year	\$ 205,744	
Add: Amortization of Capital Grants current year*	\$ 63,295	
2017 Net Operating Deficit	(\$133,450)	

*Based on the Financial Projections submitted by the Town

Although the Town's 2017 Utility Reserve is \$141,356 as at December 31, 2017, the Utility's working capital is in a deficit position.

The Board approves the 2017 Utility operating deficit in the amount of \$133,450 to be recovered through a rate rider of \$0.20 per cubic meter over a period of two (2) years or until the full amount is recovered, whichever come first. This rate rider is to be collected from all customers, excluding Husky as requested by the Town. The rate rider is calculated based on the total water sold in 2017 less water sold to Husky.

The Board approves the Cost Allocation Methodology as submitted by the Town.

The Board approves the lagoon tipping fees as applied for by the Town, and directs the Town to review the revenue and expenditure requirement when filing its next rate application and apply for revised rates if necessary.

The Board requires the Town to review its water and wastewater rates file an application to the Board by March 31, 2021. The Board reminds the Town that the next rate study should be prepared using the Board's guidelines.

5.0 IT IS THEREFORE ORDERED THAT:

1. The water and wastewater rates and lagoon tipping fees for the Town of Minnedosa Water and Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule "A" to this Order, effective October 1, 2019.
2. The Town of Minnedosa submit a quarterly report to the Public Utilities Board two weeks after each quarterly billing cycle, advising the volumes of water produced and sold.
3. The Town of Minnedosa submit an update on the status of the Engineering Assessment of its water system on or before August 31, 2019 and submit a copy to the Public Utilities Board, once it is available.
4. The Cost Allocation Methodology for shared services as submitted by the Town of Minnedosa IS HEREBY APPROVED.
5. The recovery of the 2017 actual operating deficit, when calculated for regulatory purposes, in the amount of \$133,450 IS HEREBY APPROVED to be recovered through a rate rider of \$0.20 per cubic meters over a period of two years or until the deficit is recovered in full, whichever comes first. The rate rider is to be paid by all Utility customers, except for Husky Energy Ltd.
6. The Town of Minnedosa is to provide notice of the decisions found in this Order to its customers as soon as possible, with a copy submitted to the Public Utilities Board.
7. The Town of Minnedosa amend its Utility rate By-laws to reflect the decisions in this Order, and submit copies to the Board once they have received third and final reading.

8. The Town of Minnedosa review its Water and Wastewater Utility rates and file an application for revised rates with the Public Utilities Board on or before March 31, 2021.

Fees payable upon this Order - \$650.00

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.

THE PUBLIC UTILITIES BOARD

"Shawn McCutcheon"

Panel Chair

"Rachel McMillin, B.Sc."

Assistant Associate Secretary

Certified a true copy of Order No. 116/19
issued by the Public Utilities Board



Assistant Associate Secretary

**The TOWN OF MINNEDOSA BY-LAW No. 2559
WATER AND WASTEWATER RATES
SCHEDULE "A"**

RATES EFFECTIVE OCTOBER 1, 2019

1. Commodity Rates per Cubic Meter (C.M.)

		<u>Water</u>	<u>Sewer</u>	<u>Water & Sewer</u>
Domestic	First 500 cubic metres	\$3.77	\$0.61	\$4.38
Wholesale	Over 500 cubic metres	\$0.64	\$0.61	\$1.25

2. Minimum Charges, Quarterly

Notwithstanding the Commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charge set out below, which will include water allowances indicated:

(a) Water and Sewer Customers

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption (C.M)	Service Charge	Commodity Rates		Minimum Quarterly Charges
				Water	Sewer	
16mm - 5/8"	1	14.00	\$17.00	\$52.78	\$8.54	\$78.32
19mm - 3/4"	2	28.00	\$17.00	\$105.56	\$17.08	\$139.64
25mm - 1"	4	56.00	\$17.00	\$211.12	\$34.16	\$262.28
38mm - 1 1/2"	10	140.00	\$17.00	\$527.80	\$85.40	\$630.20
50mm - 2"	25	350.00	\$17.00	\$1,319.50	\$213.50	\$1,550.00
75mm - 3"	45	630.00	\$17.00	\$1,968.20	\$384.30	\$2,369.50
100mm - 4"	90	1,260.00	\$17.00	\$2,371.40	\$768.60	\$3,157.00
150mm - 6"	170	2,380.00	\$17.00	\$3,088.20	\$1,451.80	\$4,557.00
200mm - 8"	300	4,200.00	\$17.00	\$4,253.00	\$2,562.00	\$6,832.00

(b) Water Only Customers

Customers with water only services shall be charged the minimum quarterly rate applicable to the customer's meter size less the sewer charge.

(c) Sewer Rate Reductions

If it can be clearly shown that a customer uses a substantial amount of water which is not returned to the sewer system (at least 10% of the water sold to such customers), the utility may deduct such water in calculating the sewer charge to such customers.

(d) Husky Sewer Charges

Notwithstanding the Sewer Commodity Rates and Charges set forth above, the Husky plant shall be charged for sewer service at the following rate:

Sewer Rate Calculation: At the sewer rate set forth above to be applied to 25% of the actual water consumption of the Husky plant.

3. Unmetered Customers

Based on an average of 87 cubic metres per quarter consumption, non-metered sewer and water customers shall pay \$398.06 per quarter.

4. Bulk Sales Rate

All water sold in bulk by the Town of Minnedosa shall be charged for at the rate of \$4.00 per cubic metre.

5. Service To Other Municipalities

The Town of Minnedosa may enter into agreements with municipalities, corporations and individuals outside the Town of Minnedosa to connect to the water and/or sewer system. The agreement shall provide for payment of the appropriate domestic rates set out in this Schedule, plus a surcharge, set by resolution of Council, which shall be the equivalent to the frontage levy, general taxes, and special taxes for utility purposes in effect at the time, or which may be in effect from time to time, and which would be levied on the property concerned if it were within these boundaries. In addition, all costs of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

6. Billing and Penalties

Accounts shall be billed quarterly, except in the case of large volume consumers with usage over 4,000 cubic metres per month which may be billed monthly, and shall be due and payable 30 days after date of billing. 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 amount of the bill shall be added if the debt is unpaid.

7. Disconnection

The Public Utilities Board has approved the Conditions Precedent to be followed by the municipality with respect to the 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.

8. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and reconnection fee of \$50.00 have been paid. Any customer wishing to have billings discontinued due to vacancy of premises shall be required to have service disconnected and to pay \$50.00 reconnection fee when service resumes.

9. Outstanding Bills

Pursuant to section 252(2) of the Municipal Act, the amount of all outstanding charges for water and sewer service may be collected by the municipality in the same manner as a tax may be collected or enforced under this Act.

10. Hydrant Rentals

The Town of Minnedosa shall pay to the utility an annual rental of \$150.00 for each hydrant connected to the system. This includes water for fire purposes.

11. Water Allowance Due to Line Freezing

That in any case where, at the request of the Council, the customer allows water to run 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 the billings for the last two previous quarters to the same customer, or to the same premises if the occupant has changed.

12. Water Meters

- (a) The Town shall supply an appropriate size water meter and remote read touch pad. Each customer shall be required to pay in advance a \$50.00 refundable meter deposit. This deposit will be refunded without interest upon termination of service, less any outstanding charges for water and sewer service. Meter deposits may be transferred from one premises to another in the municipality.
- (b) The meter and touch pad shall be installed by a registered plumber and the costs shall be the responsibility of the property owner. The remote touch pad shall be located at a point easily accessible at all times and approved by the Town.
- (c) The meter shall be installed 75 cm above the floor or as approved by the Town.

- (d) The meter shall be located as close as practical to the point of entry of the water line. Ample room must be provided for access to the meter and main valve at all times.
- (e) The meter shall be in a horizontal position with the main shut off valve immediately before the meter. Another valve shall be installed downstream of the meter before any distribution piping or ports.
- (f) No distribution piping or ports shall be allowed before the meter.
- (g) The meter shall be protected from any type of damage including freezing.
- (h) Costs for any damage and labour for repairs to the water meter and associated equipment shall be the responsibility of the property owner.

Lagoon Tipping Fees

- a) Disposal Fee – based on septic vehicle tank capacity:
- b) Sewage Tipping Fee Rates for Residences within the Town of Minnedosa Limits:
Minimum per use fee of **\$4.02** up to 4.54 kilolitres (equivalent to 1000 imp gallons)
plus **\$0.61 per kilolitre** for any portions over the initial fee.
- c) Sewage Tipping Fee Rates from for Residences from outside the Town of
Minnedosa Limits:
Minimum per use fee of **\$7.34** up to 4.54 kilolitres (equivalent to 1000 imp gallons)
plus **\$1.34 per kilolitre** for any portions over the initial fee.