

Order No. 183/19

**RURAL MUNICIPALITY OF YELLOWHEAD
OAKBURN WASTEWATER UTILITY
WASTEWATER RATES
EFFECTIVE APRIL 1, 2020, JANUARY 1, 2021 and JANUARY 1, 2022**

December 11, 2019

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

Table of Contents

1.0 Executive Summary	3
2.0 Background	4
Wastewater Collection and Treatment.....	4
3.0 Application.....	5
Contingency Allowance and Utility Reserves.....	6
Working Capital Surplus	7
Cost Allocation Methodology	7
4.0 Board Findings	8
5.0 IT IS THEREFORE ORDERED THAT:	9
SCHEDULE A.....	11

1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) grants approval of revised wastewater rates for the Rural Municipality of Yellowhead (RM), Oakburn Wastewater Utility (Utility). The existing and approved rates are below:

	Current	Apr 1, 2020	Jan 1, 2021	Jan 1, 2022
Quarterly Service Charge	\$5.00	\$7.00	\$9.00	\$11.00
Quarterly Wastewater Rate (per REU*)	\$35.00	\$39.00	\$43.00	\$48.00
Minimum Quarterly Charge**	\$40.00	\$46.00	\$52.00	\$59.00

*residential equivalency unit

**based on one REU

Details of other rates are in the attached Schedule A.

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

2.0 Background

The RM owns and operates the Oakburn Wastewater Utility, located in what was the Rural Municipality of Shoal Lake prior to amalgamation January 1, 2015.

The residents have water service from their own private wells.

Wastewater Collection and Treatment

The Utility was constructed in 1967 and currently provides service to 119 connections and 125 residential equivalency units (REUs).

One REU is the estimate of the volume of wastewater produced by the average single family residence. Units allocated to non-residential customers are 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.

3.0 Application

On January 25, 2019, the Board received an application for revised rates from the RM for the Oakburn Wastewater Utility. The application was accompanied by a rate study completed by the RM's consultant and By-law 1-2019 read for the first time on January 22, 2019.

The RM bills customers quarterly, separate from the annual property tax bill.

The RM last had a rate increase in January 2010, granted in Board Order No. 113/08.

The Utility advises it is in general compliance with environmental regulations.

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.

The Board received one response to the Notice. The ratepayer expressed concerns over the increasing rates being a burden on seniors and those on a fixed income. While the Board appreciates the concerns expressed by the ratepayer, both the Board and the RM must act in the best interest of all ratepayers.

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

The RM used the following projections to calculate the requested rates:

	2020	2021	2022
Administration (building, office, staff, etc)	5,515	5,626	5,738
Total expenses general	5,515	5,626	5,738
Penalties	500	500	500
Investment income	52	53	54
Total revenue general	552	553	554
Net revenue requirement - general	4,963	5,073	5,184
Collection system costs	7,283	7,428	7,577
Treatment and disposal cost	884	902	920
Lift station costs	3,537	3,608	3,680
Other sewage & disposal costs	832	849	866
Contingency	1,304	1,304	1,304
Amortization	17,649	17,220	17,059
Reserves	5,000	5,000	5,000
Interest on long term debt	2,499	2,182	1,853
Total expenses wastewater	38,988	38,493	38,259
Amortization of capital grants	3,600	3,600	3,600
Taxation revenues	10,454	10,454	10,454
Lagoon tipping fees			
Total revenue wastewater	14,054	14,054	14,054
Net revenue requirement - wastewater	24,934	24,439	24,205

The RM's consultant calculated the indicated rates for the final rate year requested (2022) and proposed the Utility implement the rates in a stable and predictable rate change year over year.

Contingency Allowance and Utility Reserves

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

The RM has included in the rates a contingency allowance of 10% of variable operating expenses. This equates to approximately \$1,300 built into wastewater rates annually. The rates also include an annual contribution of \$5,000 for utility reserves.

Working Capital Surplus

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.

As per the 2017 audited financial statements, the Utility had a working capital surplus at December 31, 2017. The 2018 audited financial statements are not available.

	2017
Accumulated Fund Surplus	\$ 620,120
Deduct tangible capital assets	\$ 705,019
Add long term debt	\$ 85,962
Add utility reserves	\$ 19,544
Equals Working Capital Surplus	\$20,607
Operating costs	\$ 34,591
20% of operating costs (target)	\$ 6,918

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

The RM has proposed a CAM based on 1% of Financial Plan General "At Large" Government Services, less Assessment and Grants expenses.

4.0 Board Findings

The Board has reviewed the application and revenue projections presented by the RM and finds them to be reasonable. The Board finds the RM's request to phase in the rate increases over a three year period to be acceptable, due to the Utility's ability to absorb the expected deficits by way of the current Working Capital Surplus.

The Board grants approval of the rates as requested by the RM, but will vary the effective dates to April 1, 2020, January 1, 2021 and January 1, 2022.

The Board grants approval of the Cost Allocation Methodology (CAM) as applied for, and reminds the RM this methodology must be used consistently and requires Board approval should any changes be considered.

The RM's audited financial statements present the long-term debt for the utilities in Note 9 without specifying which Utility holds the debt. This is an unusual presentation and the Board recommends the RM work with its auditor to align the statements to a more typical format. The information regarding which Utility holds which debenture is important for rate setting purposes.

The Board reminds the RM regular reviews are important for a financially sound utility and encourages the RM to review Board Order No. 86/17 for future rate applications. The Order outlines the Simplified Rate Application Process for municipally owned public utilities. If, after its rate review, the RM finds it meets the designated criteria for a simplified rate application, it should apply for future rates using the Simplified Rate Application Process.

The Board requires the RM to review its wastewater rates for adequacy and file a report with the Board, as well as an application for revised rates if required, on or before December 31, 2023.

The Board reminds the RM it is responsible for the continuous monitoring of the financial health of the Utility and applying for revised rates on a regular schedule. There is no

requirement to wait until December 21, 2023 to apply to the Board if the RM determines revised rates are required before that.

5.0 IT IS THEREFORE ORDERED THAT:

1. The wastewater rates for the Rural Municipality of Yellowhead – Oakburn Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule A to this Order, effective April 1, 2020, January 1, 2021 and 2022.
2. The Cost Allocation Methodology for shared services as submitted by the Rural Municipality of Yellowhead for the Oakburn Wastewater Utility BE AND IS HEREBY APPROVED.
3. The Rural Municipality of Yellowhead is to provide notice of the decisions found in this Order to the Oakburn Wastewater Utility customers as soon as possible, with a copy submitted to the Public Utilities Board.
4. The Rural Municipality of Yellowhead amend its 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.
5. The Rural Municipality of Yellowhead review Oakburn Wastewater Utility rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates (if necessary), on or before December 31, 2023.

Fees payable upon this Order - \$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.

THE PUBLIC UTILITIES BOARD

"Carol Hainsworth"

Panel Chair

"Jennifer Dubois, CPA, CMA"

Assistant Associate Secretary

Certified a true copy of Order No. 183/19
issued by The Public Utilities Board



Assistant Associate Secretary

SCHEDULE A
TO BY-LAW NO. 1-2019
Schedule of sewer rates for properties serviced by Oakburn Sewer Utility

1. SCHEDULE OF QUARTERLY SEWER RATES
EFFECTIVE APRIL 1, 2020

Residential Equivalency <u>Units</u>	<u>Customer</u>	<u>Service Charge</u>	<u>Commodity Rates</u>	<u>Total</u>
1	Single family residence	\$7.00	\$39.00	\$46.00
1	Commercial businesses, small retail store, financial institution, post office, garage (no wash rack)	\$7.00	\$39.00	\$46.00
1	Manitoba housing 4 plex; per dwelling unit	\$7.00	\$39.00	\$46.00
2	Ukrainian People's Home Hall, \$7.00 Community hall, skating rink,		\$78.00	\$85.00

1. SCHEDULE OF QUARTERLY SEWER RATES
EFFECTIVE JANUARY 1, 2021

Residential Equivalency <u>Units</u>	<u>Customer</u>	<u>Service Charge</u>	<u>Commodity Rates</u>	<u>Total</u>
1	Single family residence	\$9.00	\$43.00	\$52.00
1	Commercial businesses, small retail store, financial institution, post office, garage (no wash rack)	\$9.00	\$43.00	\$52.00
1	Manitoba housing 4 plex; per dwelling unit	\$9.00	\$43.00	\$52.00
2	Ukrainian People's Home Hall, \$9.00 Community hall, skating rink,		\$86.00	\$95.00

1. SCHEDULE OF QUARTERLY SEWER RATES
EFFECTIVE JANUARY 1, 2022

Residential Equivalency <u>Units</u>	<u>Customer</u>	<u>Service Charge</u>	<u>Commodity Rates</u>	<u>Total</u>
1	Single family residence	\$11.00	\$48.00	\$59.00
1	Commercial businesses, small retail store, financial institution, post office, garage (no wash rack)	\$11.00	\$48.00	\$59.00
1	Manitoba housing 4 plex; per dwelling unit	\$11.00	\$48.00	\$59.00
2	Ukrainian People's Home Hall, \$11.00 Community hall, skating rink,		\$96.00	\$107.00

The Following Clauses Take Effect April 1, 2020

2. Billings And Penalties

Accounts shall be billed quarterly and are payable within 30 days of the billing date. A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date. The due date will be at least 10 days after mailing of the bills.

3. 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.

4. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$25.00 have been paid.

5. Liability for Charges

Pursuant to Section 252 (2) of the Municipal Act, the amount of all outstanding charges for water and sewer services, including fines and penalties, are a lien and charge upon the land serviced, and may be collected in the same manner in which ordinary taxes upon the land are collectible, and with like remedies.

The fee to add outstanding sewer charges to the property tax roll shall be \$10.00 per account.

6. Rental Properties

Owners of rental properties shall be required to pay the utility charges for their properties.

7. Connection Charges

Any new sewer service shall be charged a connection fee of \$2,500.

8. Service To Customers Outside Oakburn Limits

The Council of the Rural Municipality of Yellowhead may sign Agreements with customers for the provision of sewer services to properties located outside the boundaries of Oakburn. 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 Local Improvement District of Oakburn boundaries. In addition, all costs of connecting to the Utility's mains, and installing and maintaining service connections, will be paid by the customer.

9. 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.

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11. Conditions of Disrepair

In the event that there are conditions of disrepair in the sewer 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.