

Order No. 20/19

**RURAL MUNICIPALITY OF ARGYLE
LOCAL IMPROVEMENT DISTRICT OF BALDUR
BALDUR WATER & WASTEWATER UTILITY
WATER & WASTEWATER RATES
EFFECTIVE APRIL 1, 2019, JANUARY 1, 2020 AND 2021**

February 4, 2019

**BEFORE: Shawn M^cCutcheon, Panel Chair
Mike Watson, Panel Member**

Table of Contents

1.0	Executive Summary	3
2.0	Background	4
	Water Supply/Distribution	4
	Unaccounted - for Water.....	4
	Wastewater Collection/Treatment.....	4
3.0	Application	5
	Working Capital Surplus	8
	Cost Allocation Methodology	9
	Contingency Allowance and Utility Reserves.....	10
4.0	Board Findings.....	11
5.0	IT IS THEREFORE ORDERED THAT:.....	12
	SCHEDULE "A"	14

1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) approves the revised water and wastewater rates for the Rural Municipality of Argyle (RM) Baldur Water and Wastewater (Utility). The approved rates are shown below:

	Previous Rates By-Law 04-2013	April 1, 2019 Year 1	January 1, 2020 Year 2	January 1, 2021 Year 3
Customer service charge	\$ 8.25	\$ 8.97	\$ 9.69	\$ 10.41
Water \$/1,000 gallons	\$ 15.24	\$ 20.76	\$ 26.28	\$ 31.81
Wastewater \$/1,000 gallons	\$ 9.43	\$ 9.43	\$ 9.43	\$ 9.43
Minimum Quarterly Charge*	\$ 82.26	\$ 99.54	\$ 116.82	\$ 134.13
Water only customers*	\$ 53.97	\$ 71.25	\$ 88.53	\$ 105.84
Wastewater only customers**	\$ 59.88	\$ 65.55	\$ 66.27	\$ 66.99
Bulk water fees	\$ 20.77	\$ 28.00	\$ 33.00	\$ 39.00
Reconnection fee	\$ 100.00	\$ 30.00	\$ 30.00	\$ 30.00
*Based on 3,000 gallons				
**Based on average residential water consumption (6,000 gallons) including service charge				
Previous rate based on 5,476 gallons				

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

The reasons for the Board’s decisions may be found under “Board Findings”.

2.0 Background

The RM owns and operates a water and wastewater utility serving 167 customers. All water utility customers are metered. Wastewater only customers are charged based on the average customer consumption of 6,000 gallons. Utility bills are mailed out quarterly separate from property tax bills. The Utility does not service any customers outside the Local Urban District of Baldur.

Deficits for 2013, 2014, 2015, 2016 and 2017 were approved in Board Order 5/19.

Rates were last approved in Board Order No. 22/15.

Water Supply/Distribution

Water is supplied by three (3) wells and the RM intends to drill a well in the Glenora aquifer in 2018. Raw water is treated by a water treatment plant in Baldur, owned and operated by the Manitoba Water Services Board (MWSB). The RM purchases the water from the MWSB. Water lines were installed in the 1960s and were largely replaced in 2012.

Unaccounted - for Water

The acceptable percentage of unaccounted for water is 10%, which is an industry standard.

The RM's unaccounted for water is 3% for 2016 and within the Board's guideline limit of 10%.

Wastewater Collection/Treatment

The wastewater utility is composed of 3.87 kilometers (km) of gravity sewer mains, two lift stations, forcemain and sewage lagoon. The water and wastewater components are sufficient to meet current and expected future demands.

3.0 Application

On February 21, 2018, the Board received an application for revised rates from the Rural RM for the Utility. The application was accompanied by a rate study completed by the RM's Consultant and By-law 1-2018 read for the first time on February 13, 2018.

The RM states that the revised water and wastewater rates are primarily required to cover the annual operating deficit in the Utility and to provide contingency funding.

A Public Notice of Application was issued on March 15, 2018 affording customers the opportunity to comment to both the Board and the RM with respect to the proposed rate increases. No stakeholder responses were received.

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 has reviewed the application and has chosen a paper review process.

The RM's capital projects are as follows:

- The 2017 capital projects include \$31,000 for a lagoon dumping station (\$18,500 Infrastructure grant) and \$40,000 for a study on a new water source (\$20,000 MWSB grant).
- Future capital projects include \$850,000 in 2018 for a new water source (9 to 10 miles of pipeline and well) with approved MWSB grant funding of \$425,000. Also in 2018, \$150,000 is allocated for a new roof on the water treatment plant with \$75,000 in MWSB funding.

The rates were calculated based on the following revenue projections and an inflation rate of 2% in all calculations.

Schedule of Utility Rate Requirements - Baldur Water and Wastewater Utility 2019 to 2021 Budget Forecasts (\$)				
	2018	2019	2020	2021
	Budget Forecast			
General Expenses				
Administration	6,630	6,763	6,898	7,036
Billing and collection	204	208	212	216
Total General Expenses	6,834	6,971	7,110	7,252
Revenue				
Penalties	300	300	300	300
Total General Revenue	300	300	300	300
Net Costs General	6,534	6,671	6,810	6,952
Water Expenses				
Water purchases	53,332	54,398	55,486	56,596
Transmission and distribution	57,500	58,650	59,823	61,019
Amortization	39,517	56,453	56,356	56,356
Interest on long term debt	-	8,438	7,786	7,098
Total Water Expenses	150,349	177,939	179,451	181,069
Revenues				
Bulk water fees	160	160	160	160
Connection fee	100	100	100	100
MWSB payments	21,522	21,952	22,391	22,839
Hydrant rentals (28@\$100)	2,800	2,800	2,800	2,800
Total Water Revenues	24,582	25,012	25,451	25,899
Net Costs Water	125,767	152,927	154,000	155,170

	2018	2019	2020	2021
	Budget Forecast			
Wastewater Expenses				
Collection system costs	10,200	10,404	10,612	10,819
Treatment and disposal costs	2,044	2,085	2,127	2,169
Lift station costs	9,373	9,560	9,751	9,946
Amortization	16,940	16,869	15,557	15,556
Total Wastewater Expenses	38,557	38,918	38,047	38,490
Revenue				
RM lagoon maintenance fees	3,000	3,000	3,000	3,000
Net Costs Wastewater	35,557	35,918	35,047	35,490
Water and Wastewater Billing Revenues				
Water and wastewater	113,000	123,974	146,028	168,120
Property Tax Transfers				
Transfer from Gen. Optg. Water Debt	-	20,020	20,020	20,020
Capital Grants Amortization				
Amortization of water capital grants	9,600	20,000	20,000	20,000
Amortization of wastewater capital grants	617	617	617	617
Total Amortization of Capital Grants	10,217	20,617	20,617	20,617
Net Revenue/(Expenses) Transfers	(44,641)	(30,904)	(9,193)	11,143
Provincial Grant/Federal Grants	500,000	-	-	-
Transfer from General Operating	350,000	-	-	-
Change in Utility Fund Balance after Surplus Transfers	805,359	(30,904)	(9,193)	11,143

Reverse PUB Adjustments				
Deduct Amortization of Capital Grants	10,217	20,617	20,617	20,617
Fund Surplus - Beginning of Year	1,367,725	2,162,867	2,111,347	2,081,537
Fund Surplus - End of Year	2,162,867	2,111,347	2,081,537	2,072,064

Working Capital Surplus

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 2017 audited financial statements, the working capital deficit at December 31, 2017 was:

	2017	2016
Fund Surplus	\$1,341,771	\$1,348,632
Deduct: Tangible Capital Assets	(\$1,392,232)	(\$1,391,747)
Add: Long Term Debt	\$0	\$0
Add: Utility Reserves	\$104,855	\$111,831
Equals Working Capital Surplus (Deficit)	\$54,394	\$68,716
Operating Expenses	\$173,836	\$266,220
20% of Operating Expenses	\$34,767	\$53,244

The above-noted working capital calculation for the Utility is above the Board recommended 20% of operating expenses.

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.

Administration costs are 3% of office staff, office, and audit expenses as approved by Board Order No. 22/15. The RM is proposing to retain the same allocation as shown in the following table:

Rural Municipality of Argyle – Baldur Utility Allocation Plan for Non-Direct Shared Services	
Category/Subcategory	Allocation of Costs
1.0 Administrative Staff	3% of office staff, office and audit expenses, as approved in Board Order No. 22/15
1.1 Billing services – meter reading to receipting and collection	Meter reading – Part of Public Works Staff allocation, receipting and collection part of Admin Staff allocation
1.2 Accounting/Auditing/ including by-law making and enforcement	3% of audit costs
1.3 Common Office Space	3% office costs
1.4 Office Overhead (telephone, photocopier, computer, etc.)	3% of PP&S
2.0 Operating, Construction and Maintenance Costs	
2.1 Vehicle – fuel, maintenance, lease costs, capital costs	Costs that could be charged to the Utility are minimal and at present nothing is allocated to the Utility
2.2 Labour – full time, part time, on call, sick time, vacation, Note 2	Operator's time is split 50/50 between the Utility and the LUD Relief operator is charged actual time to the Utility.
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	
3.1 Interest/Financing	N/A
3.2 Labour	Based on actual costs
3.3 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.

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 contingency allowance.

The RM has included in the rates a contingency allowance of 10% of net rate costs, less amortization expenses and interest costs. This equates to \$9,172 for water and \$1,994 for wastewater.

There is no transfer to Utility Reserve included in the application. The RM finds that the annual amortization of \$51,295 for water and wastewater infrastructure, net of capital grant amortization, should be sufficient to fund future capital needs.

4.0 Board Findings

The Board has reviewed the application and revenue projections presented by the RM and finds them to be acceptable. The Board approves the water and wastewater rates, but varies the effective dates to April 1, 2019, January 1, 2020 and January 1, 2021.

The Board approves the Cost Allocation Methodology and reminds the RM that this method must be used consistently and requires Board approval should any further changes be considered.

The Board would like to remind the RM that 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 water and 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, 2021.

The Board would like to commend the Utility for its efforts in maintaining its unaccounted water below the industry standard of 10%, in line with the Board's Guidelines.

5.0 IT IS THEREFORE ORDERED THAT:

1. The water and wastewater rates for the Rural Municipality of Argyle – Baldur Water and Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule “A” to this Order, effective April 1, 2019, 2020 and 2021.
2. The Cost Allocation Methodology for shared services as submitted by the Rural Municipality of Argyle BE AND IS HEREBY APPROVED.
3. The Rural Municipality of Argyle 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.
4. The Rural Municipality of Argyle amend its water and wastewater 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 Argyle 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 applicable), on or before December 31, 2021.

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

"Shawn McCutcheon"

Panel Chair

"Rachel McMillin, BSc."

Assistant Associate Secretary

Certified a true copy of Order No. 20/19 issued by
The Public Utilities Board



Assistant Associate Secretary

SCHEDULE "A"

RURAL MUNICIPALITY OF ARGYLE WATER & WASTEWATER UTILITY RATES BY-LAW NO. 1-2018 SCHEDULE "A" SCHEDULE OF QUARTERLY RATES

1. Schedule of Commodity Rates & Quarterly Service Charge

April 1, 2019

Rates per 1,000 Gallons

1,000 Gallons per quarter

Water	Wastewater	Water & Wastewater
\$20.76	\$9.43	\$30.19

Quarterly Service Charge \$8.97

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 & Wastewater Customers

Meter Size	Group Ratio	Water Capacity Included Gallons	Customer Service Charge	Water Commodity Charge	Wastewater Commodity Charge	Water & Wastewater Total Quarterly Minimum
5/8 inch	1	3,000	\$8.97	\$62.28	\$28.29	\$99.54
3/4 inch	2	6,000	\$8.97	\$124.56	\$56.58	\$190.11
1 inch	4	12,000	\$8.97	\$249.12	\$113.16	\$371.25
1 ½ inch	10	30,000	\$8.97	\$622.80	\$282.90	\$914.67
2 inch	25	75,000	\$8.97	\$1,557.00	\$707.25	\$2,273.22

b) Water Only Customers

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

c) Wastewater Only Residential Customers

The Wastewater only charge is based on average quarterly consumption of 6,000 gallons plus the quarterly customer service charge.

The quarterly charge for wastewater only customers is $(6 * \$9.43) + \$8.97 = \$65.55$

d) Bulk Water Sales

All water sold in bulk will be charged at the rate of \$28.00 per 1,000 gallons.

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2020

Rates per 1,000 Gallons

1,000 Gallons per quarter

	Water	Wastewater	Water & Wastewater
	\$26.28	\$9.43	\$35.71

Quarterly Service Charge \$9.69

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 & Wastewater Customers

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Wastewater Commodity Charge	Water & Wastewater Total Quarterly Minimum
5/8 inch	1	3,000	\$9.69	\$78.84	\$28.29	\$116.82
3/4 inch	2	6,000	\$9.69	\$157.68	\$56.58	\$223.95
1 inch	4	12,000	\$9.69	\$315.36	\$113.16	\$438.21
1 ½ inch	10	30,000	\$9.69	\$788.40	\$282.90	\$1,080.99
2 inch	25	75,000	\$9.69	\$1,971.00	\$707.25	\$2,687.94

b) Water Only Customers

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

c) Wastewater Only Residential Customers

The wastewater only charge is based on average quarterly consumption of 6,000 gallons plus the quarterly customer service charge.

The quarterly charge for wastewater only customers is $(6 * \$9.43) + \$9.69 = \$66.27$

d) Bulk Water Sales

All water sold in bulk will be charged at the rate of \$33.00 per 1,000 gallons.

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2021

Rates per 1,000 Gallons

1,000 Gallons per quarter

	Water	Wastewater	Water & Wastewater
	\$31.81	\$9.43	\$41.24

Quarterly Service Charge \$10.41

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 & Wastewater Customers

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Wastewater Commodity Charge	Water & Wastewater Total Quarterly Minimum
5/8 inch	1	3,000	\$10.41	\$95.43	\$28.29	\$134.13
3/4 inch	2	6,000	\$10.41	\$190.86	\$56.58	\$257.85
1 inch	4	12,000	\$10.41	\$381.72	\$113.16	\$505.29
1 ½ inch	10	30,000	\$10.41	\$954.30	\$282.90	\$1,247.61
2 inch	25	75,000	\$10.41	\$2,385.75	\$707.25	\$3,103.41

b) Water Only Customers

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

c) Wastewater Only Residential Customers

The wastewater only charge is based on average quarterly consumption of 6,000 gallons plus the quarterly customer service charge.

The quarterly charge for wastewater only customers is $(6 * \$9.43) + \$10.41 = \$66.99$

d) Bulk Water Sales

All water sold in bulk will be charged at the rate of \$39.00 per 1,000 gallons.

The following clauses take effect April 1, 2019:**3. Billings and Penalties**

Accounts shall be billed quarterly based on water used. A late payment penalty charge of 1 ¼% compounded monthly shall be charged on the dollar amount owing after the billing due date. The due date will be at least fourteen (14) days after the mailing of the bills.

4. Hydrant Charges

The LUD of Baldur, or any other hydrant owner, will pay to the Utility an annual fee of \$100.00 for each hydrant connected to the system which shall include the cost of water used for firefighting.

5. Liability for Charges

Where charges and penalties pursuant to this by-law are not paid within ninety (90) days from the date when they were incurred, said charges and penalties shall be added to the taxes on the property and collected in the same manner as other taxes pursuant to Section 252 (2) of the *Municipal Act*. The amount of all outstanding charges for water and wastewater 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

6. Meter Testing

That in any case where a utility customer requests that a meter be tested for accuracy, the customer will provide the Municipality with a deposit of \$100. The Municipality will then 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 Municipality and the deposit will be refunded to the customer. If the meter is found to be in proper working order, all costs associated with the testing process will be borne by the customer and the customer will be billed or refunded any balance owing.

7. Disconnection and Reconnection

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.

Any service disconnected, whether due to non-payment of account or for any other reason(s) mutually agreed to by the customer and the Municipality (ie. repairs necessitated by negligence of the customer, changes in tenant, vacancy for an extended period of time, etc.) shall not be reconnected until a reconnection fee of \$30.00 and all arrears and penalties, if any, have been paid.

Service may be disconnected or reconnected upon receipt of a written request and payment of \$30.00

8. Responsibility for Service Connections

The Utility is responsible for all costs involved to bring services to the property line of the owner (including any water losses that may occur to that point). The owner is responsible for all costs of services (including water losses) from the property line into the building being serviced.

9. Service To Customers Outside Utility's Limits

The Council of Rural Municipality of Argyle may sign Agreements with customers for the provision of water and wastewater services to properties located outside the boundaries of the Local Urban District of Baldur. Such Agreements shall provide for payment of the appropriate rates set out in this 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 LUD of Baldur boundaries. In addition, all costs of connecting to the Utility's mains, and installing and maintaining service connections, will be paid by the customer.

10. Wastewater 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.

11. 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 Municipality's water system.

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

12. Conditions of Disrepair

In the event that there are conditions of disrepair in the wastewater and water 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.

13. Authorization For Officer To Enter Upon Premises

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