

Order No. 35/19

**TOWN OF NIVERVILLE
NIVERVILLE WASTEWATER UTILITY
WASTEWATER RATES
EFFECTIVE APRIL 1, 2019, JANUARY 1, 2020, AND JANUARY 1, 2021**

March 21, 2019

**BEFORE: Marilyn Kapitany, B. Sc. (Hon), M. Sc., Panel Chair
Irene A. Hamilton, Panel Member**

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1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves the revised wastewater rates for the Town of Niverville (Town), Niverville Wastewater Utility (Utility) effective April 1, 2019, January 1, 2020, and January 1, 2021.

The approved rates are as follows:

	Current By-Law 711-12	April 1, 2019	January 1, 2020	January 1, 2021
Quarterly Service Charge	\$ 4.05	\$ 5.36	\$ 5.47	\$ 5.58
Wastewater per REU	\$ 58.15	\$ 64.31	\$ 66.06	\$ 67.85
Minimum Quarterly Charge*	\$ 62.20	\$ 69.67	\$ 71.53	\$ 73.43

*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 Board Findings below.

2.0 Background

The Town owns and operates a wastewater utility serving 1,605 customers (as at July 2017) and forecasts a population growth rate of approximately 6% per annum. All property owners within the Town are connected to the wastewater utility.

The Town also owns a water utility, which is run independently from the wastewater utility. Significant portions of the Town are serviced by private wells and the balance are serviced by the Town's water utility.

The Utility has no meters; therefore, measuring by Residential Equivalency Units (REUs) is the only way of charging for the wastewater service. Where a system or residence has no meters, volume of effluent returned to the wastewater system is based on REU's; one unit being the volume of wastewater estimated to be produced by the average single family residence. Utility bills are sent quarterly and the Town does not offer any wastewater services to properties outside its boundaries.

The Town advises it has 1,956 REUs (as of August 21, 2017) and that Town finance staff reviews REUs annually to ensure fairness and equity.

Wastewater Collection/Treatment

A new lagoon was constructed in 2006 to support the Town's growth. The lagoon includes one primary cell and three secondary cells. The original lagoon was reclaimed in place and the Town has substantially decommissioned the dry cell and is converting this area into a natural park.

The lagoon capacity has been reconfigured for approximately 6,700 residents. Given its current rate of population growth, The Town anticipates a lagoon expansion or mechanization will be required in the next 5-10 years.

Between 2013 and 2016, Niverville worked on stabilizing the banks of the lagoon to prevent erosion. This was at a cost of \$1,048,000 paid entirely out of the wastewater utility reserve funds.

The wastewater lines within the “core” area of town are constructed from concrete pipe, while the newer areas are constructed from polyethylene pipe. The Town has reviewed its 2016 closed-circuit television recordings and advises the wastewater lines are in good condition, but is of the opinion rates should reflect the requirement for funds to provide for unexpected repairs should the occur.

93% of the wastewater system is a gravity flow system and 7% is a low-pressure system. Customers on the low-pressure system are required to arrange pump-outs of their holding tanks with permission to dump into the lagoon. Low-pressure system customers pay haulers directly and pay the Town a full annual wastewater charge.

The Town has adopted a line-flushing program whereby all lines are cleaned every three years (i.e. one-third is cleaned annually in rotation). The annual cost of the program is approximately \$25,000.

The Town has six lift stations in various locations and advises they are in good condition. \$42,000 is budgeted annually to maintain and operate these stations.

Local drains discharge into the Red River once all requirements of the Environmental license with Sustainable Development are passed.

3.0 Application

On August 21, 2017, the Town applied for revised wastewater rates, to be effective January 1, 2018, January 1, 2019, and January 1, 2020, as set out in By-law No. 782-17 which had first reading on August 15, 2017. The application was supported by a rate study prepared by the Town's Finance Administration Manager. The Utility last revised rates in 2012 through Board Order No. 156/12.

A Public Notice of Application was issued on August 28, 2017 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the Town on or before September 29, 2017. No expression of concern was received from customers.

When reviewing an application, the Board has at its disposal two approaches, either a paper or a public hearing review. After 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 reviews the application using a paper review process, which save the cost of a public hearing process. Given the Board has not been advised of any issues/complaints, the Board has chosen a paper review process for this application.

The rates were calculated based on the following projections using an inflation rate of 2% in all calculations:

Schedule of Utility Rate Requirements – Niverville Wastewater Utility 2017 to 2020 Budget Forecasts (\$)				
	2017	2018	2019	2020
	Forecast			
General Expenses				
Administration	38,066	38,828	39,604	40,396
Total General Expenses	38,066	38,828	39,604	40,396
Revenue				
Service Charges	25,947	-	-	-
Penalties	4,000	4,080	4,162	4,245
Total General Revenues	29,947	4,080	4,162	4,245
Net Costs General	8,119	34,748	35,442	36,151
Wastewater Expenses				
Wastewater Collection System	103,500	105,570	107,681	109,835
Wastewater Lift Station	99,835	101,832	103,868	105,946
Amortization/Depreciation	222,415	222,915	223,425	223,946
Reserves	-	95,000	108,000	121,500
Future Remediation	-	10,000	11,000	12,000
Minor Capital Upgrades	7,500	10,000	10,200	10,404
Contingency	-	32,297	32,943	33,602
Total Wastewater Expenses	433,250	577,614	597,117	617,233
Revenue				
Amortization and Capital Grants	74,458	74,458	74,458	74,458
Total Wastewater Revenue	74,458	74,458	74,458	74,458
Net Costs – Wastewater	358,792	503,156	522,659	542,775
Total Costs	366,911	537,904	558,101	578,926

The application states that the proposed utility rate increases are required to provide funding to support the rapid growth (and forecasted continued growth) of the Town, support and upkeep the wastewater infrastructure, and support increasing operating costs.

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 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	2016
Utility Fund Surplus/Deficit	\$7,673,663	\$7,573,565
Deduct: Tangible Capital Assets	(6,865,275)	(7,048,541)
Add: Long-Term Debt	-	-
Add: Utility Reserves	265,717	68,088
Equals Working Capital Surplus (Deficit)	\$1,074,105	\$593,112
Operating Expenses	389,664	462,348
20% of Operating Expenses (Target)	\$77,933	\$92,470

The Utility exceeds the Board minimum working capital surplus of 20%, however, the Town is planning a lagoon expansion in approximately 2021 to expand wastewater services for the growing population. The forecasted cost of the expansion is approximately \$3,500,000. The Town has requested \$1,750,000 (or 50%) from the Manitoba Water Service Board, with the remainder to come from surplus Reserve funds as exhibited in the table above.

Cost Allocation Methodology

The Board requires all municipalities/towns to review the costs shared between the general operations of the municipality/town and the utility, and to allocate appropriate and reasonable costs to the utility, based on a policy known as a Cost Allocation Methodology. This policy must be submitted to the 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 Town's revised Cost Allocation Methodology is as follows:

Town of Niverville – Wastewater Utility Allocation Plan for Non-Direct Shared Services as at March 6, 2019			
Category	Sub-category	Options	
1.0 Administrative Staff		Activity Based (see Note1)	
	1.1 Billing services – meter reading to receipting and collection.	Meter reading based on time sheets. Utility Clerk charged to Utility based on tracked hours spent on billing and payment.	
	1.2 Accounting/ auditing/ including by-law making and enforcement.	Supervisor charge based on tracked hours spent on billing and payment.	CAO charged at 2% of salary and benefits.
	1.3 Common office space	Charged based on proportioned/percentage of tracked time spent on wastewater utility over total office hours.	
	1.4 Office overheads (telephone, photocopier, computer, etc.)	Charged based on proportioned/percentage of tracked time spent on wastewater utility over total office hours.	
2.0 Operating, construction, and maintenance costs			
	2.1 Vehicle – fuel, maintenance, lease costs, capital costs	½ ton truck charged to Utility based on percentage of time spent on Utility by Operations Department staff	
	2.2 Labour – full time, part time, on call, sick time, vacation (see Note 2)	Based on time spent on 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 (see Note 3)	Based on actual costs	
3.0 Major projects			
	Interest/Financing		Debenture Debt
	Labour	Based on actual costs	-
	External costs	Direct charge (dedicated consulting)	-

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.)

The Town advises the increase to the proposed customer service charge (from \$4.05 to \$5.36 in Year 1 of its requested rates) is due to the rates not having been revised since 2015, and a more detailed tracking of salary-related expenditures than was previously used. The customer service charge further increases by 2% per year (or \$0.11) in Year 2 and 3 due to inflation.

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.

To meet the timeline for a potential expansion, the Town is budgeting to increase the utility reserve allocation by 13% annually to cover the costs of the capital lagoon project and to avoid any long-term borrowing.

4.0 Board Findings

The Board has reviewed the application and the projections presented by the Town in its rate application and finds them to be reasonable. The Board approves the wastewater rates as applied for, but varies the effective dates to April 1, 2019, January 1, 2020, and January 1, 2021.

The Board approves the revised cost allocation methodology and reminds the Town this methodology must be used consistently. Any changes to the new, revised cost allocation methodology require Board approval prior to its enforcement.

The Board encourages the Town to familiarize itself with the new Simplified Rate Application Filing process in Board Order No. 86/17, to use it its next rate application if it is applicable.

The Board requires the Town to review its wastewater rates Utility for adequacy and file a report with the Board, as well as an application for revised rates on or before December 31, 2021. The Board reminds the Town that regular reviews of utility rates are required to ensure rates are adequate to recover the costs of service being provided to its customers.

5.0 IT IS HEREBY ORDERED THAT:

1. The wastewater rates for the Town of Niverville, Niverville Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule “A” to this Order, effective April 1, 2019, January 1, 2020, and January 1, 2021.
2. The revised shared Cost Allocation Methodology for the Town of Niverville BE AND IS HEREBY APPROVED.
3. The Town of Niverville 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.
4. The Town of Niverville amend its 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 Town of Niverville review its wastewater rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates if required, by no later than 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 (Rules). The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

THE PUBLIC UTILITIES BOARD

"Marilyn Kapitany, B. Sc. (Hon), M. Sc."
Panel Chair

"Frederick Mykytyshyn"
Acting Secretary

Certified a true copy of Order No. 35/19 issued by
The Public Utilities Board


Frederick Mykytyshyn
Acting Secretary

SCHEDULE "A"

**TOWN OF NIVERVILLE
NIVERVILLE WASTEWATER UTILITY
BY-LAW NO. 782-17
SCHEDULE OF QUARTERLY RATES**

1. Assignment of Residential Equivalent Units (REU)

A residential equivalent Unit (REU) is the volume of sewage estimated to be emitted by an average single-family residence. Units allocated to other customers are based on the estimated sewage they will emit compared to a residence. A residential unit is defined as a single-family dwelling which includes the following: mobile home, single unit commercial business which includes offices, groceries, hardware, banks, credit unions, and garages without wash bays, halls with seating capacity of less than 230 seats, churches and drop-in centres. Apartments will be rated at one equivalent unit for each suite. Buildings with more than one rental/occupant unit may be assigned additional units dependant on the type of occupancy.

Description	REU for Operations and Maintenance
Residential Unit	1.0
Duplexes/Multi-plexes	
1 Shared Wastewater Connection	1.0 Unit Per Residence
Separate Wastewater Connections	1.0 Unit Per Residence
Apartment Blocks	1.0 Unit Per Suite
Apartment Blocks Converted to Condominiums	1.0 Unit Per Suite
Personal Care Homes	
Single Units	0.5
Double Units	1.0

Office Type Business Buildings/Strip Malls	1.0 Unit Per Suite
Cafes, Bistros, or Restaurants	1.0 Unit Per 20 Seats or Fraction Thereof
Halls/Banquet Facilities	1.0 Unit Per 230 Seats or Fraction Thereof
Care Wash	1.5 Units Per Wash Day
Elementary School	0.9 Units Per Classroom
Secondary School	1.2 Units Per Classroom
Low Pressure System Customers	
Residential	1.0
Business	1.0 Unit Per Separate Business Unit or as Per Above by Type of Business

Note: More than one business sharing one office or business unit is considered one unit for this purpose. One office or business unit is defined as a unit with a separate entrance from other units

2. Quarterly Charges

Notwithstanding the REU schedule set forth in Section 1 above, all customers connected to or tipping to the lagoon shall pay the applicable charge set out below:

<u>Effective Date</u>	<u>Wastewater Rate</u>	<u>Service Charge</u>	<u>Total Quarterly Minimum</u>
April 1, 2019	\$64.31	\$5.36	\$69.67
January 1, 2020	\$66.06	\$5.47	\$71.53
January 1, 2021	\$67.85	\$5.58	\$73.43

3. Surcharges for Services Beyond the Town Boundaries

There are no customers served who are located outside the Town boundaries.

4. Billings and Penalties for Non-payment of Account

All connected customers shall be billed quarterly and payment shall be due and payable within 21 days after the mailing of the bills. A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date and a notice to this effect shall be clearly printed on the bills sent to the customers.

5. Disconnection of Service

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 and on Town website.

6. Reconnection of Service

Any service disconnected, whether due to non-payment of account or for any other reason(s) mutually agreed to by the customer and the Town (i.e., repairs necessitated by negligence of the customer, changes in tenant, vacancy for an extended period of time, etc.) shall not be reconnected until all costs of disconnection and reconnection have been paid. Actual costs may vary depending upon the circumstances.

7. Liability for Charges

Where charges and penalties pursuant to this by-law are not paid within sixty (60) days from the date when they were incurred said charges and penalties will be added to the taxes on the property and collected in the same manner as other taxes as per authority of Section 252(2) of *The Municipal Act of Manitoba*.