

Order No. 38/19 - revised

**RURAL MUNICIPALITY OF FISHER
FISHER WATER AND WASTEWATER UTILITY
REVISED RATES FOR JULY 1, 2019, JANUARY 1, 2020, AND JANUARY 1, 2021
ACTUAL OPERATING DEFICIT RECOVERY FOR 2014**

March 29, 2019

**BEFORE: Shawn McCutcheon, Panel Chair
Mike Watson, Panel Member**

Table of Contents

1.0	Executive Summary.....	3
2.0	Background	3
	Water Supply/Distribution System	4
	Unaccounted for Water.....	4
	Wastewater Collection/Treatment.....	4
3.0	Application.....	4
	Contingency Allowance and Utility Reserves.....	7
	Working Capital Surplus/Deficit	7
	Cost Allocation Methodology	9
	Lagoon Tipping Fee.....	9
4.0	Board Findings	10
5.0	IT IS HEREBY ORDERED THAT:.....	12
	SCHEDULE A.....	14

1.0 Executive Summary

By this Order, the Public Utilities Board (Board) varies the revised water and wastewater rates for the Rural Municipality of Fisher (RM), Fisher Water and Wastewater Utility (Utility), and varies the effective dates to be July 1, 2019, January 1, 2020, and January 1, 2021.

The approved rates are as follows:

	Current By-Law 64/14	July 1 2019	January 1 2020	January 1 2021
Quarterly Service Charge	\$17.00	\$19.80	\$21.75	\$22.40
Water (per 1,000 gallons)	\$13.30	\$23.75	\$24.20	\$24.50
Wastewater (per 1,000 gallons)	\$10.66	\$6.95	\$7.05	\$7.15
Minimum Quarterly Charge*	\$88.88	\$111.90	\$115.50	\$117.35
Minimum Quarterly Charge - Wastewater Only**	\$204.62	\$142.12	\$145.83	\$148.24
Minimum Quarterly Charge - Wastewater Only for Car Wash***	\$392.23	\$264.44	\$269.91	\$274.08
Bulk Water Sales	\$23.15	\$23.75	\$24.20	\$24.50
Lagoon Tipping Fees****	-	\$500.00	-	-
Hydrant Rentals	\$150.00	\$150.00	\$150.00	\$150.00

*Based on 3,000 gallons

**Based on 17,600 gallons

***Based on 35,200 gallons

****Effective April 1, 2019 to June 30, 2019 (to be revised to a fee-for-service model)

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

Rationale for the Board's decisions may be found under the heading Board Findings below.

2.0 Background

The RM owns and operates the Utility serving 211 customers (which includes 10 wastewater only customers) as of 2018 and all calculations assume this number to remain static for all future years.

Water Supply/Distribution System

The water system was constructed in 1997 and the system treats the ground water sourced from a well. An engineering assessment was performed on March 27, 2017 and recommended a number of upgrade and action items. There were 11 recommended actions and to date six have been completed. The Utility advises the remaining five recommended actions are being considered and the impact on the operating results will be determined by the timing of the actions and the available funding.

Unaccounted for Water

The Board's guideline for acceptable percentage of unaccounted for water is 10%, which is recognized as the industry standard.

The RM advises the unaccounted for water is 1% for 2018 and within the Board's above-noted guideline limit.

Wastewater Collection/Treatment

The wastewater system was constructed in 1985 and is a gravity flow system with three lift stations. The lagoon discharges into the Fisher River.

3.0 Application

On October 12, 2018, the RM applied for revised water and wastewater rates, to be effective January 1, 2019, January 1, 2020, and January 1, 2021, as set out in By-Law No. 1178/18 having had first reading October 3, 2018. The application was supported by a rate study prepared by the RM's consultant.

A Public Notice of Application was issued on February 25, 2019 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the RM on or before March 27, 2019. One complaint was received from ratepayers.

When reviewing an application, the Board has at its disposal two approaches, either a paper or a public hearing review. After the publication of the Notice of Application, the Board considers the application and stakeholder responses, and determines which method of review is most appropriate. Whenever reasonable, the Board can review the application using a paper review process, which saves the cost of a public hearing process.

Given the Board was advised of only one complaint that was responded to accordingly by the RM, the Board has chosen a paper review process for this application.

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

Schedule of Utility Rate Requirements – Fisher Water and Wastewater Utility				
2018 to 2021 Budget Forecasts (\$)				
	2018	2019	2020	2021
	Forecast			
General Expenses				
Administration	15,600	16,600	17,098	17,611
Billing and Collection	1,220	1,220	1,257	1,294
Total General Expenses	16,820	17,820	18,355	18,905
Revenue				
Penalties	1,100	1,100	-	-
Total General Revenues	1,100	1,100	-	-
Net Costs General	15,720	16,720	18,355	18,905
Water Expenses				
Purification and Treatment	6,200	6,700	6,901	7,108
Service of Supply	52,800	53,800	55,414	57,076
Transmission and Distribution	15,000	17,000	17,510	18,035
Other Water Supply Costs	8,000	8,500	8,755	9,018
Amortization/Depreciation	76,902	76,902	76,902	76,902
Contingency	25,000	5,000	5,000	5,000
Total Water Expenses	183,902	167,902	170,482	173,139
Revenue				
Connection Revenue	30	30	31	32
Hydrant Rentals	3,600	3,600	3,708	3,819
Total Water Revenue	3,630	3,630	3,739	3,851
Net Costs – Water	180,272	164,272	166,743	169,743
Wastewater Expenses				
Wastewater Lift Station	15,000	15,000	15,450	15,914
Wastewater Treatment and Disposal	1,200	1,200	1,236	1,273
Other Wastewater and Disposal	10,000	10,000	10,300	10,609
Amortization/Depreciation	18,857	18,857	18,857	18,857
Contingency	25,000	15,000	15,000	15,000
Total Wastewater Expenses	70,057	60,057	60,843	61,653
Revenue				
Lagoon Tipping Fees	3,000	6,000	6,000	6,000
Total Wastewater Revenue	3,000	6,000	6,000	6,000
Net Costs – Wastewater	67,057	54,057	54,843	55,653

The proposed Utility rate increases are primarily required to provide funding for a Utility debenture payment which was being funded by property taxes and starting in 2017 is now the responsibility of the Utility's ratepayers. This debenture payment, inflation costs of other Utility expense items, and rates last being revised in 2017 largely create the need for the proposed rate increases.

Contingency Allowance and Utility Reserves

As per the Board's Water and Wastewater Rate Application Guidelines, a yearly allowance equal to 10% of the variable operating costs is recommended for a contingency allowance.

The RM has included \$20,000 in the proposed rates for water (\$5,000) and wastewater (\$15,000). As there are no material year-over-year changes expected with respect to operating expenses, the RM has deemed this reduction prudent to mitigate the amount of the rate increases requested from 2019 to 2021.

There is no transfer to the Utility reserve included in the RM's application. The RM advises the annual amortization for water and wastewater, net of capital grant amortization, is sufficient to provide for future capital projects.

Of the five incomplete recommendations by the above-noted engineering assessment, four of the items may be capital in nature. If these items are to be provided for using capital funding this may significantly impact the Utility's reserves.

Working Capital Surplus/Deficit

Board Order No. 93/09 established that utilities should maintain a minimum working capital surplus, in an amount equal to 20% of annual expenses. The working capital surplus/deficit is defined as the Utility fund balance, excluding any capital related items plus Utility reserves.

As per the 2017 audited financial statements, the most recent information available, the working capital surplus at December 31, 2017 was:

	2017
Utility Fund Surplus/Deficit	\$1,126,912
Deduct Tangible Capital Assets	854,618
Add Long-Term Debt	-
Add Utility Reserves	29,545
Equals Working Capital Surplus (Deficit)	\$301,839
Operating Expenses	273,174
20% of Operating Expenses (Target)	\$54,635

The Utility currently exceeds the Board minimum working capital surplus of 20%.

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 October 12, 2018, the RM applied for approval of an actual operating deficits of \$11,163 in 2014, for recovery from the Utility's accumulated surplus. The RM advises the deficit is due to 2014 rates not taking effect until July 1, 2014 and therefore the existing rates from January 1, 2014 to June 30, 2014 were insufficient to fully provide for all of the Utility's costs. The recovery of the deficit has been approved by the RM in Council Resolution #13.4-03-19RO dated March 21, 2019. Sufficient funding is available within the Utility's accumulated surplus to fully recover the deficit.

The Board notes, as per the 2017 Audited Financial Statements, the Utility has also incurred an actual operating deficit of \$32,062 in 2017. To date, the RM has not applied for approval to recover this deficit.

Board Order No. 64/14 approved the recovery of actual deficits of \$18,344 for 2011; \$13,453 for 2012; and \$47,784 for 2013 (or a total deficit recovery of \$79,581) by means of a deficit recovery surcharge of \$2.75 per 1,000 gallons over a three-year period effective July 1, 2014 up to June 30, 2017. The RM advises it continued to collect the surcharge to the end of 2017. This resulted in an excess recovery of \$3,739 over the total approved recovery of \$46,581.

Cost Allocation Methodology

The Service Charge for administration costs increases by \$2.80 per quarter in 2019, \$1.95 in 2020, and \$0.65 per quarter in 2021. The Utility's Shared Cost Allocation Plan for non-direct shared services is as follows:

No changes have been proposed to the Cost Allocation Methodology previously approved by the Board. The following charge time to the Utility operations and represents a portion of the positions salary as follows:

- Chief Operating Officer – 1%
- Accounting Clerk – 4%
- Office Clerk – 33%
- Operator – 4 Hours (per day)

Lagoon Tipping Fee

The RM has added a lagoon tipping fee of \$500.00 per month to be provided by the RM to the Utility for the use of the lagoon by residents outside the Utility boundaries not connected to the wastewater system. This new fee is to cover the costs of rural RM residents' use of the lagoon.

4.0 Board Findings

The Board has reviewed the application and the projections presented by the RM in its rate application. Subsequent to the RM's application the RM advised the amortization costs provided in the Budget Forecast were inaccurate and increased by \$12,923 from \$82,836 to \$95,759 based on more up-to-date accounting information. The RM also advised the allocation of amortization costs was inaccurate and was revised from \$41,418 – water and \$41,418 – wastewater to \$76,902 – water and \$18,857 – wastewater, resulting in an increase to the requirement for water rates and a decrease to the requirement for wastewater rates. The Board therefore varies the water and wastewater rates as applied for by the RM to reflect the financial information provided in the updated forecast. The Board also varies the effective dates to July 1, 2019, January 1, 2020, and January 1, 2021 to allow the RM time to notify customers of the varied rates.

The Board also notes the \$500 lagoon tipping fee to be provided by the RM to cover the costs of rural RM residents not connected to the wastewater system is not the appropriate application of lagoon tipping fees. Such a fee results in taxpayers subsidizing the Utility by paying the lagoon costs using general operations revenue of the RM. The Board will therefore on an interim *ex parte* bases, approve the \$500 lagoon tipping fee as applied for by the RM from April 1, 2019 to June 30, 2019 and direct the RM to return to the Board with a fee-for-service based model for this charge.

The Board notes no changes to the shared cost allocation methodology and reminds the RM this methodology must be used consistently. Any changes to the cost allocation methodology require Board approval.

Given the RM has not included any transfers to the Utility Reserve in its application, but several projects that are to be completed to support the Utility may be capital in nature. The Board recommends any surplus funding generated from the contingency allowances be transferred into the Utility Reserve to provide for the potential future costs of these projects.

The Board requires the RM to 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 required) on or before December 31, 2021. The Board reminds the RM regular reviews of the utility's rates are required to ensure rates are adequate to recover the costs of service being provided to its customers. Should rates be reviewed, either by a consultant or by RM staff, and deemed adequate to fully provide for the costs of Utility operations a Statement of Adequacy Letter (advising the Board the Utility rates are adequate) should be filed with the Board annually in lieu of a rate study/request until one is required.

The Board approves the 2014 actual operating deficit of \$11,163, to be recovered from the Utility's accumulated surplus, but reminds the Utility deficits may only be recovered up to the full amount of the deficit (as approved by the Board). Any recoveries in excess of the total deficit and/or Board approved recovery amount is not permitted.

The Board notes the Utility has not filed a deficit application for actual operating deficit of \$32,062 for 2017, per the Municipality's 2017 Audited Financial Statements. By law, Manitoba utilities are not allowed to incur deficits. The Board reminds the Utility if it has a deficit occurs, it is required by law to file a deficit application and recovery plan with the Board as soon as it is known.

The Board directs the RM to file a deficit application and recovery plan for the above-noted outstanding deficit for 2017, and any other outstanding actual deficits, as soon as possible.

5.0 IT IS HEREBY ORDERED THAT:

1. The revised water and wastewater rates for the Rural Municipality of Fisher, Fisher Water and Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule "A", effective July 1, 2019, January 1, 2020, and January 1, 2021.
2. The lagoon tipping fees for the Rural Municipality of Fisher, Fisher Water and Wastewater Utility, BE AND IS HEREBY APPROVED on an interim *ex parte* basis, effective from April 1, 2019 to June 30, 2019.
3. The Rural Municipality of Fisher review its lagoon tipping fee and submit a revised, fee-for-service based lagoon tipping fee and amended By-Law to the Public Utilities Board on or before June 30, 2019.
4. The cost allocation methodology for shared services as submitted by the Rural Municipality of Fisher BE AND IS HEREBY APPROVED.
5. The actual operating deficit, when calculated for regulatory purposes, of \$11,163 in 2014 incurred in the Rural Municipality of Fisher, Fisher Water and Wastewater Utility, is HEREBY APPROVED to be recovered through a transfer from the Utility's Accumulated Surplus Account, effective the date of this Order.
6. The Rural Municipality of Fisher 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.
7. The Rural Municipality of Fisher 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.

8. The Rural Municipality of Fisher 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 required, by no later than December 31, 2021.
9. The Rural Municipality of Fisher file a deficit application and recovery methodology for the year 2017, and any other outstanding actual operating deficits, by no later than May 31, 2019.

Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure (Rules). The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

Fees payable upon this Order - \$650.00

THE PUBLIC UTILITIES BOARD

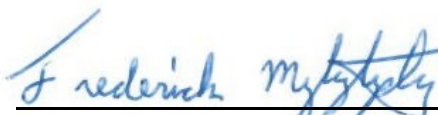
"Shawn McCutcheon"

Panel Chair

"Frederick Mykytyshyn"

Assistant Associate Secretary

Certified a true copy of Order No. 38/19
issued by The Public Utilities Board



Assistant Associate Secretary

SCHEDULE A

RURAL MUNICIPALITY OF FISHER FISHER WATER AND WASTEWATER UTILITY WATER AND WASTEWATER UTILITY RATES BY-LAW NO. 1178/18 SCHEDULE OF QUARTERLY RATES

1. Commodity Rates per 1,000 gallons

	<u>Water</u>	<u>Wastewater</u>	<u>Water and Wastewater</u>
July 1, 2019	\$23.75	\$6.95	\$30.70
January 1, 2020	\$24.20	\$7.05	\$31.25
January 1, 2021	\$24.50	\$7.15	\$31.65

2. Minimum Charges Quarterly

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

a. Water and Wastewater Customers

July 1, 2019

Meter Size	Group Capacity Ratio	Water Included Gallons	Service Charge	Commodity Charges		Quarterly Minimum
				<u>Water</u>	<u>Wastewater</u>	
5/8"	1	3,000	\$19.80	\$71.25	\$20.85	\$111.90
3/4"	2	6,000	19.80	142.50	41.70	204.00
1"	4	12,000	19.80	285.00	83.40	388.20
1 1/2"	10	30,000	19.80	712.50	208.50	940.80
2"	25	75,000	19.80	1,781.25	521.25	2,322.50

January 1, 2020

Meter Size	Group Capacity Ratio	Water Included Gallons	Service Charge	Commodity Charges		Quarterly Minimum
				<u>Water</u>	<u>Wastewater</u>	
5/8"	1	3,000	\$21.75	\$72.60	\$21.15	\$115.50
3/4"	2	6,000	21.75	145.20	42.30	209.25
1"	4	12,000	21.75	290.40	84.60	396.75
1 1/2"	10	30,000	21.75	726.00	211.50	959.25
2"	25	75,000	21.75	1,815.00	528.75	2,365.50

January 1, 2021

Meter Size	Group Capacity Ratio	Water Included Gallons	Service Charge	Commodity Charges		Quarterly Minimum
				Water	Wastewater	
5/8"	1	3,000	\$22.40	\$73.50	\$21.45	\$117.35
3/4"	2	6,000	22.40	147.00	42.90	212.30
1"	4	12,000	22.40	294.00	85.80	402.20
1 1/2"	10	30,000	22.40	735.00	214.50	971.90
2"	25	75,000	22.40	1,837.50	536.25	2,396.15

b. Water Only Customers

Minimum charge will be the same for each meter size as shown above, but the wastewater commodity charge will be excluded.

c. Wastewater Only for Residential Customers

The Rural Municipality of Fisher do charge the owners or occupants of land serviced with wastewater but no water an amount determined by using the same wastewater rate charged to connected customers multiplied by the quarterly estimated wastewater usage (17,600 gallons) plus the quarterly service charge as follows:

2019	$\$19.80 + (\$9.90 \times 17,600 \text{ gallons}) = \194.04
2020	$\$21.75 + (10.00 \times 17,600 \text{ gallons}) = \197.75
2021	$\$22.40 + (\$10.10 \times 17,600 \text{ gallons}) = \200.16

d. Wastewater Only for Car Wash

The Rural Municipality of Fisher do charge the owner of the Car Wash that is service with the wastewater but not water an amount based on a quarterly estimated usage of 35,200 gallons, which is an amount equivalent to two times that of a residential property as noted above in © (17,600 gallons x 2 = 35,200 gallons), as follows:

2019	$\$19.80 + (\$9.90 \times 35,200 \text{ gallons}) = \368.28
2020	$\$21.75 + (10.00 \times 35,200 \text{ gallons}) = \373.75
2021	$\$22.40 + (\$10.10 \times 35,200 \text{ gallons}) = \377.92

3. Bulk Sales Rate

All Water sold in bulk by the Rural Municipality of Fisher shall be charged the same rate for water as connected customers as follows:

2019	\$23.75
2020	\$24.20
2021	\$24.50

Customers can buy in small quantities for amounts of 500 gallons or less

4. Service to Customers Outside Municipality, Town, or L.I.D., Limits

The Council of the Rural Municipality of Fisher may sign agreements with customers for the provision of water and wastewater services to properties located outside the legal boundaries of Local Improvement Districts Nos. 1 and 2 in Fisher Branch. 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 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 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.

5. Billings and Penalties

A late payment charge of 1 ¼% shall be charged on the dollar amount owing after the billing due date. The due date will be at least fourteen days after the mailing of the bills.

6. Disconnection

The Public Utilities Board has approved the Conditions Precedent to be followed by the Rural 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 Rural Municipality of Fisher Office.

7. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$30.00 have been paid.

8. Outstanding Bills

Pursuant to Section 252(2) of The Municipal Act, the amount of all outstanding charges for water and wastewater service are a lien and charge upon the land serviced, and shall be collected in the same manner in which ordinary taxes upon the land are collectible, and with like remedies.

9. Hydrant Rentals

The Rural Municipality of Fisher will pay to the Utility an annual rental of \$150.00 for each hydrant connected to the system.

10. Waster Allowance Due to Line Freezing

That in any case where, at the request of the Council, a customer allows water to run continuously for any period fo 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.

11. Wastewater Surcharges

- a. There may be levied annually, in addition to rates set forth above, a special surcharge on wastewater 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 wastewater or industrial wastes.

12. Lagoon Tipping Fees

That effective April 1, 2019 to June 30, 2019, the Rural Municipality of Fisher will pay to the Utility a lagoon tipping fee of \$500.00 per month for the use of the lagoon by residents outside the Utility boundaries not connected to the wastewater system.