

Order No. 86/19

**RURAL MUNICIPALITY OF PRAIRIE LAKES
BELMONT WATER & WASTEWATER UTILITY
WATER AND WASTEWATER RATES
EFFECTIVE AUGUST 1, 2019, 2020, and 2021
OPERATING DEFICIT RECOVERY FOR 2016 and 2017**

June 24, 2019

**BEFORE: Carol Hainsworth, C.B.A., Panel Chair
Mike Watson, Panel Member**

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1.0 Executive Summary

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

	Previous	August 1, 2019	August 1, 2020	August 1, 2021
Quarterly Service Charge	\$10.65	\$15.67	\$15.67	\$16.71
Water \$/1,000 gallons	\$22.70	\$25.69	\$26.44	\$27.22
Wastewater \$/1,000 gallons	\$6.13	\$14.76	\$16.56	\$16.38
Minimum Quarterly*	\$97.14	\$137.02	\$144.67	\$147.51
Bulk Water	\$26.00	\$31.23	\$31.39	\$33.01
Reconnection fee	\$50.00	\$50.00	\$50.00	\$50.00
Hydrant Rental Charge (annual)	\$75.00	\$100.00	\$100.00	\$100.00
*Includes 3,000 gallons per quarter				

The Board approves recovery of operating deficits of \$11,218 incurred in 2016 and \$11,807 incurred in 2017. The deficits are to be recovered from the Utility's accumulated surplus. The Board approves the Utility's Cost Allocation Methodology.

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 Belmont Utility, a water and wastewater utility serving 124 customers in the Local Urban District (LUD) of Belmont. All customers receive both water and wastewater services and are metered. Utility billings are quarterly, at the beginning of February, May, August and November.

Water Supply and Distribution

The Belmont Utility water treatment plant was upgraded and expanded in 2004. Raw water is provided from a relatively new well installed in 2015. The RM has a current agreement with The Manitoba Water Services Board to provide technical assistance for operating and maintaining the Belmont Water Treatment Plant until December 31, 2021. The water plant is operated by a certified operator.

Wastewater Collection and Treatment

The wastewater system consists of a lagoon built in 2010. It receives wastewater through a gravity flow system and is meeting regulatory requirements.

The RM does not expect growth in the LUD of Belmont. The number of customers has declined since the previous rate study in 2010, from 140 to 124. However, a significant number of lake front properties with holding tanks dump their wastewater in the lagoon.

Unaccounted for Water

Unaccounted for water is reported at 12.28%, which is slightly higher than the Board's target level of 10%.

3.0 Application

On September 20, 2018, the Board received an application for revised rates from the RM for the Belmont Water and Wastewater Utility. The application was accompanied by a rate study completed by the RM's consultant and By-law No. 8, 2018 read for the first time on September 12, 2018. The RM also submitted two applications for approval of actual operating deficits for the years 2016 and 2017.

The RM states the Utility requires a rate increase because rates have not been updated since Board Order No. 118/11 in 2011.

A Public Notice of Application was issued on October 9, 2018 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the RM on or before November 8, 2018. There were no responses to the Notice.

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, saving the cost of a public hearing.

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

The RM used the following projections to calculate utility rates:

	Rate year 1	Rate year 2	Rate year 3
	2019	2020	2021
Administration	7,565	7,792	8,026
Working capital surcharge	1,460		1,526
Total expenses general	9,025	7,792	9,552
Penalties	1,250	1,250	1,250
Total revenue general	1,250	1,250	1,250
Net revenue requirement - general	7,775	6,542	8,302
Staffing	21,500	22,145	22,809
Purification and treatment	28,300	29,149	30,023
Transmission and distribution	2,600	2,678	2,758
Reserves	5,000	5,000	5,000
Total expenses water	57,400	58,972	60,590
Bulk water fees	2,500	2,500	2,500
Hydrant rentals	1,500	1,500	1,500
Total revenue water	4,000	4,000	4,000
Net revenue requirement - water	53,400	54,972	56,590
Staffing	5,350	5,511	5,676
Sewage collection system	450	464	477
Sewage treatment and disposal	5,500	5,665	5,835
Lift station costs	2,000	2,060	2,122
Other sewage and disposal costs	300	309	318
Amortization	58,014	58,014	58,014
Interest on long term debt	13,348	12,325	11,533
Total expenses sewer	84,962	84,348	83,975
Amortization of capital grants	19,980	19,980	19,980
Taxation revenues	33,805	29,433	29,433
Other revenue	500	500	500
Total revenue sewer	54,285	49,913	49,913
Net revenue requirement - sewer	30,677	34,435	34,062

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 RM has included in the rates a reserve contribution of \$5,000 per year, with no provision for contingency.

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 working capital surplus at December 31, 2017 was non-compliant with the Board's guidelines:

	2017
Accumulated Fund Surplus	\$ 1,398,084
Deduct tangible capital assets	\$ 1,758,998
Add long term debt	\$ 306,419
Add utility reserves	\$ 11,813
Capital grant money due to Utility	\$ 50,564
Equals Working Capital Surplus	\$ 7,882
Operating costs	\$ 143,278
20% of operating costs (target)	\$ 28,656

Operating Deficits

By law, Manitoba utilities are not allowed to incur deficits. In the event 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.

The RM applied to the Board for approval of the 2016 and 2017 operating deficits, requesting recovery from the Utility's accumulated surplus account. When calculated for regulatory purposes, the 2016 deficit is \$11,218 and the 2017 deficit is \$11,807.

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.

Laboratory sampling fees	100% billed to Utility
Hydro, insurance, repairs	100% billed to Utility
Regulatory fees	100% billed to Utility
Utility operator fees	100% billed to Utility
Major repairs, contractor fees	100% billed to Utility
Direct overhead - meter reading, billing, receipting and collection	\$3,350.00
Indirect overhead - admin and shared costs, council costs, audit, utilities etc	\$2,015.00
Direct equipment costs and direct labour costs	\$2,200.00

4.0 Board Findings

The Board has reviewed the application and revenue projections presented by the RM and finds the projections to be reasonable, with a slight exception. The year two projections do not include a provision to rebuild the working capital surplus; this is likely due to an error in the Board supplied spreadsheet. The Board will therefore vary the 2020 quarterly service charge to remain at the rate approved for 2019, and grants its approval to the other rates as applied. The Board grants approval of the revised Cost Allocation Methodology as applied by the RM.

The Board grants approval for the recovery of the 2016 and 2017 operating deficits from the Utility's accumulated surplus account. Once these deficits have been absorbed, the working capital surplus is no longer compliant with the Board's minimum requirements; therefore, the approved rates include a provision to rebuild the Utility's working capital. Due to new Utility rates being effective August 1, 2019, it is likely the Utility will experience operating deficits in 2018 and 2019. The Utility must apply to the Board for approval of these deficits, and will likely require a rate rider to recover them.

The RM is experiencing unaccounted for water loss at a level above the acceptable limit of 10%. The Board will require the RM to provide a plan to address this in future rate studies.

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 water and wastewater rates for adequacy and file with the Board either a report confirming the adequacy of the rates or an application for revised rates, on or before December 31, 2022.

5.0 IT IS THEREFORE ORDERED THAT:

1. The water and wastewater rates for the Rural Municipality of Prairie Lakes – Belmont Water and Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule “A” to this Order, effective August 1, 2019, 2020, and 2021.
2. The Cost Allocation Methodology for shared services as submitted by the Rural Municipality of Prairie Lakes for the Belmont Water and Wastewater Utility BE AND IS HEREBY APPROVED.
3. The actual operating deficits, when calculated for regulatory purposes, of \$11,218 in 2016 and \$11,807 in 2017 incurred in the Rural Municipality of Prairie Lakes, Belmont Water and Wastewater Utility, are HEREBY APPROVED to be recovered through the Utility’s Accumulated Surplus Account, effective the date of this Order.
4. The Rural Municipality of Prairie Lakes 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.
5. The Rural Municipality of Prairie Lakes 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.
6. The Rural Municipality of Prairie Lakes – Belmont Water and Wastewater Utility apply to the Board for approval of any operating deficits incurred for 2018 and 2019.
7. The Rural Municipality of Prairie Lakes review Belmont Water and Wastewater Utility rates for adequacy and file with the Public Utilities Board either a report confirming the adequacy of the rates or an application for revised rates, on or before December 31, 2022.

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, C.B.A."
Panel Chair

"Jennifer Dubois, CPA, CMA"
Assistant Associate Secretary

Certified a true copy of Order No. 86/19
issued by The Public Utilities Board


Assistant Associate Secretary

SCHEDULE "A"

**THE RURAL MUNICIPALITY OF PRAIRIE LAKES
Local Improvement District in the Unincorporated Village of Belmont**

WATER AND SEWER RATES

BY-LAW NO. 8, 2018

SCHEDULE OF QUARTERLY RATES:

1. Commodity Rates per 1,000 imperial gallons

Domestic all water sold

	Water	Sewer	Water & Sewer
August 1, 2019	\$25.69	\$14.76	\$40.45
August 1, 2020	\$26.44	\$16.56	\$43.00
August 1, 2021	\$27.22	\$16.38	\$43.60

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

August 1, 2019

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption	Service Charge	Commodity Rates		Minimum Quarterly Charges
				Water	Sewer	
16mm - 5/8"	1	3,000	\$15.67	\$77.07	\$44.28	\$137.02
19mm - 3/4"	2	6,000	\$15.67	\$154.14	\$88.56	\$258.37
25mm - 1"	4	12,000	\$15.67	\$308.28	\$177.12	\$501.07
38mm - 1 1/2"	10	30,000	\$15.67	\$770.70	\$442.80	\$1,229.17
50mm - 2"	25	75,000	\$15.67	\$1,926.75	\$1,107.00	\$3,049.42

August 1, 2020

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption	Commodity Rates Service Charge	Commodity Rates		Minimum Quarterly Charges
				Water	Sewer	
16mm - 5/8"	1	3,000	\$15.67	\$79.32	\$49.68	\$144.67
19mm - 3/4"	2	6,000	\$15.67	\$158.64	\$99.36	\$273.67
25mm - 1"	4	12,000	\$15.67	\$317.28	\$198.72	\$531.67
38mm - 1 1/2"	10	30,000	\$15.67	\$793.20	\$496.80	\$1,305.67
50mm - 2"	25	75,000	\$15.67	\$1,983.00	\$1,242.00	\$3,240.67

August 1, 2021

Meter Size	Group Capacity Ratio	Minimum Quarterly Consumption	Commodity Rates Service Charge	Commodity Rates		Minimum Quarterly Charges
				Water	Sewer	
16mm - 5/8"	1	3,000	\$16.71	\$81.66	\$49.14	\$147.51
19mm - 3/4"	2	6,000	\$16.71	\$163.32	\$98.28	\$278.31
25mm - 1"	4	12,000	\$16.71	\$326.64	\$196.56	\$539.91
38mm - 1 1/2"	10	30,000	\$16.71	\$816.60	\$491.40	\$1,324.71
50mm - 2"	25	75,000	\$16.71	\$2,041.50	\$1,228.50	\$3,286.71

(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.

3. Bulk Sales Rate

All water sold in bulk by the Belmont Utility shall be charged for as per the table below per 1,000 imperial gallons.

	Year 1	Year 2	Year 3
Bulk Water	\$31.23	\$31.39	\$33.01

4. Service For Connecting Customers Outside the LID Limits

The Council of the Rural Municipality of Prairie Lakes may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Unincorporated Village of Belmont. 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 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.

5. Billing and Penalties

Accounts shall be billed quarterly, and shall be due and payable the 15th day of the month following the month of the quarter being billed. 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.

6. Water and Sewer Connections

Each customer applying for water turn on or turn off of service during any quarter shall pay the proportionate part of the current minimum quarterly charge provided that in the computing same broken half month shall be considered as a full month. In all cases any excess water used will be charged at the rates set forth under Commodity Rates.

All costs for new connections and maintenance thereafter shall be paid by the customer or developer as the case may be and such connections are to be approved by the Council of the R.M. of Prairie Lakes.

A service charge of \$25.00 shall be paid before any water is turned on, and shall be the responsibility of the owner.

7. Disconnection

“The Public Utilities Board, in its Board Order No. 39/09, 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 RM of Prairie Lakes shall pay to the utility an annual rental of \$100.00 for each hydrant connected to the system. This includes water for fire purposes.

11. Sewer Surcharge

There may be levied annually, in addition to the rates set forth above, a special surcharge on sewage having a Five Day Biochemical Oxygen Demand in excess of 300 mg/L to be set by resolution of Council.

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.

12. Sewage Effluent Truck Hauled to Lagoon

A rate of \$10.00 will be charged per truckload of sewage effluent obtained for the properties that are located outside of the limits of the Local Improvement District No. 1 that is dumped into the sewage lagoon. The volume of a truckload is not to exceed 6,800L.

13. Water Metering

All new residential customers for sewer and water shall be metered at the customers cost. Ownership, inspection and maintenance of the meters will remain the responsibility of the utility system.

Commercial meter maintenance will be the responsibility of the utility system but will be billed to the commercial user.

14. Water Meters

That all water connections be metered. The meter to be supplied by and remain the property of the utility system. The cost of the meter shall be recovered through the water rates.

Meter Repairs

Where a water meter is damaged as a result of negligence of a user, such user shall pay the cost of repairing the damaged meter and the said amount will immediately become a debt due and owing to the Utility within (10) ten days of the demand of same, the water service of said user may be disconnected for repairs. A fee of \$25.00 shall be charged for a reconnection of the

service disconnected under this paragraph. The cost of a new meter or replacement meter will be \$150.00 at the user's expense

Meter Testing

Any consumer who desires and requests that their water meter be tested for accuracy shall deposit with the utility the sum of \$25.00. If the meter when tested is found to be in excess of the allowable limits, the deposit shall be refunded and the consumer's account shall be adjusted for the preceding four months use. The allowable limit of variation shall be 3% of average flow.