

**Order No. 122/20**

**CITY OF FLIN FLON  
FLIN FLON WATER AND WASTEWATER UTILITY  
REVISED WATER AND WASTEWATER RATES  
EFFECTIVE OCTOBER 1, 2020 AND JANUARY 1, 2021**

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**October 9, 2020**

**BEFORE: Shawn McCutcheon, Panel Chair  
Marilyn Kapitany, B.Sc. (Hon), M. Sc., Panel Member**

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## 1.0 Executive Summary

By this Order, the Public Utilities Board (Board) varies the water and wastewater rates as applied for by the City of Flin Flon (City), for the Flin Flon Water and Wastewater Utility (Utility) and varies the effective dates to October 1, 2020 and January 1, 2021.

The approved rates are as follows:

### Unmetered Customers (Flat Rate)

	October 1, 2020	January 1, 2021
Monthly	\$106.81	\$109.87
Quarterly	\$320.43	\$329.60

### Metered Customers

			October 1, 2020	January 1, 2021
Monthly Commodity Charge			\$11.97	\$12.33
Meter Size	Group Capacity Ratio	Monthly Consumption (Gallons)	October 1, 2020	January 1, 2021
5/8"	1	6,000	\$76.87	\$79.02
3/4"	2	7,000	\$93.90	\$96.41
1"	4	8,000	\$115.99	\$118.86
1 1/2"	10	20,000	\$289.97	\$297.17
2"	25	50,000	\$724.93	\$742.88
3"	45	90,000	\$1,304.54	\$1,336.86
4"	90	180,000	\$2,609.75	\$2,674.38

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 City owns and operates the Utility that serves 2,292 customers, made up of 309 metered accounts and 1,983 flat rate residential accounts (including Channing area residents). Rates were last approved for the Utility in Board Order No. 93/16 and varied in Board Order No. 68/17.

The City receives a grant in lieu of utility fees from HudBay Minerals (HudBay) through a Contribution Agreement that originated in the 1960's and has been revised several times to date.

### Metering Project

In Board Order No. 172/06 the Board approved higher monthly minimum consumption limits and minimum monthly charges for customers with meter sizes of 5/8" and 3/4" that were not in keeping with Board Guidelines. At that time, the City was in the process of a metering project for all Utility customers. The Board made the decision to approve higher monthly minimum consumption limits and minimum monthly charges on a temporary basis to address the gap in utility charges between metered and unmetered customers until the City's metering project was completed. Upon completion of the metering project, the Board directed the City to submit a new Rate Application and proposed rate schedule to reflect the now metered customer base and therefore decrease monthly minimum consumption limits and minimum monthly charges for customers with meter sizes of 5/8" and 3/4" to adhere to Board Guidelines.

There is, however, a moratorium in place on residential meter installations as funding partners for the metering project rescinded funding with little notice and the City was unable to provide funding or find suitable, alternate funding partners to complete the metering project. The City advises, based on the Contribution Agreement with HudBay the metering project is not a priority and therefore it has been cancelled. As a result, monthly minimum consumption limits and monthly charges for customers with meter sizes of 5/8" and 3/4" continue to pay higher rates based on higher minimum consumption limits as follows:

Meter Size	Approved Monthly Consumption Minimum (Gallons)	Monthly Consumption Minimum per Board Guidelines (Gallons)
5/8"	6,000	2,000
3/4"	7,000	4,000

## Water Supply/Distribution

The City owns and operates a water treatment plant that was recently constructed and provides Ultra Filtration (UF) treatment above a 4.5ML reservoir. A previously decommissioned heating plant has been updated/renewed to assist in preventing the freezing of water lines from October to April. A twin feeder main draws fresh water from Cliff Lake.

The City has completed several underground infrastructure projects over the past several years to repair and maintain the system accordingly. Additional water infrastructure maintenance and renewal is performed using a portion of \$500,000 budgeted annually to maintain both water and wastewater infrastructure.

## Wastewater Collection/Treatment

The wastewater treatment plant consists of a Head-works facility constructed in 1999/2000 for primary treatment/sludge processing and a Sequencing Bath Reactor (SBR) facility constructed in 2004/05.

The City has completed several underground infrastructure projects over the past several years to repair and maintain the system accordingly. Additional wastewater infrastructure maintenance and renewal is performed using a portion of \$500,000 budgeted annually to maintain both water and wastewater infrastructure.

## Unaccounted for Water

The acceptable percentage of unaccounted for water is 10%, based on industry standards. If the percentage is above this amount, the applicant is to explain why and provide a plan to remedy.

The unaccounted for water was 23% for 2018. The City has been engaged in a Leak Detection Program on a continual basis to reduce overall water pumping. The City is in the process of upgrading critical water assets including its heating plants, reservoir, and lift stations to address unaccounted for water. The Program plans to attempt to improve and further address unaccounted for water wherever applicable with each major system upgrade and/or improvement.

### 3.0 Application

On January 3, 2020, the City applied for revised water and wastewater rates as set out in By-Law No. 2019-11 having had first reading July 2, 2019. The application was supported by a rate study prepared by the City's Chief Administrative Officer.

A Public Notice of Application was issued on January 21, 2020 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the City on or before February 20, 2020. No responses were received.

When reviewing an application the Board can either: hold a public hearing at which the applicant can present its case and customers can present their concerns; or where it is deemed to be in the best interests of a utility and its customers, the Board can review the application using a paper review process without holding a public hearing. The paper review process considers all written materials submitted by the Utility and the public, as well as any information requests and responses between the Board and the Utility. This process may reduce regulatory costs to the Utility.

A public hearing process allows the Utility and the public the opportunity to review the application and address any concerns with the Board present.

Whenever reasonable, the Board will review the application using a paper review process, which saves the cost of a public hearing process. The Board has chosen a paper review process for the Municipality's application.

The rates were calculated based on the following projections using an annual inflation rate of 1% in all calculations:

<b>Schedule of Utility Rate Requirements City of Flin Flon Water and Wastewater Utility 2020 to 2022 Budget Forecasts (\$)</b>			
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>Forecast</b>		
<b>General Expenses</b>			
Administration	360,070	363,670	367,310
Billing and Collection	186,000	186,000	186,000
Total General Expenses	546,070	549,670	553,310
<b>Revenue</b>			
Penalties	48,500	49,000	49,500
Total General Revenues	48,500	49,000	49,500
<b>Net Costs General</b>	<b>497,570</b>	<b>500,670</b>	<b>503,810</b>
<b>Water Expenses</b>			
Purification and Treatment	572,580	576,450	580,350
Transmission and Distribution	1,205,850	1,216,050	1,226,350
Amortization	645,000	655,000	665,000
Interest on Long-Term Debt	148,170	132,481	116,113
Contingency	-	-	-
Total Water Expenses	2,571,600	2,579,981	2,587,813
<b>Revenue</b>			
Hydrant Rentals	136,185	136,185	136,185
Amortization of Capital Grants	182,924	182,924	182,924
Taxation Revenues	526,381	526,381	526,381
Other Revenues	500	500	500
Total Water Revenue	845,990	845,990	845,990
<b>Net Water Costs</b>	<b>1,725,610</b>	<b>1,733,991</b>	<b>1,741,823</b>

<b>Wastewater Expenses</b>				
	Collection System	305,180	306,370	307,570
	Lift Station	273,370	274,240	275,120
	Treatment and Disposal	509,790	512,790	516,060
	Amortization	285,000	315,000	335,000
	Interest on Long-Term Debt	109,362	85,707	66,461
	Contingency	-	-	-
	<b>Total Wastewater Expenses</b>	<b>1,482,702</b>	<b>1,494,107</b>	<b>1,500,211</b>
<b>Revenue</b>				
	Amortization of Capital Grants	125,094	125,094	125,094
	Taxation Revenues	466,908	383,034	383,034
	<b>Total Wastewater Revenue</b>	<b>592,002</b>	<b>508,128</b>	<b>508,128</b>
	<b>Net Wastewater Costs</b>	<b>890,700</b>	<b>985,979</b>	<b>992,083</b>
	<b>Net Operating Costs</b>	<b>3,113,880</b>	<b>3,220,640</b>	<b>3,237,716</b>

The proposed Utility rate increases are requested to provide for increased costs and additional costs associated with the operation of a new water treatment plant.

### 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 City advises it has not included a contingency allowance in the rate calculations as it has no extraordinary items that require the establishment of a contingency allowance outside of the budgeted items.

The City has a Contribution Agreement in place with HudBay that requires HudBay to provide an annual grant of approximately 55% of allowable City, budgeted expenditures. Based on the Contribution Agreement not all budgeted expenditures (including a reserve fund allowance) would qualify for HudBay grant funding. The City therefore budgets all Utility reserve funding in the General Account through taxation, which is then subsidized by the HudBay grant as per the Contribution Agreement.



## 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 2019 Audited Financial Statements, the most recent information available, the working capital surplus/deficit for the Utilities at December 31, 2019 was:

	2019
Utility Fund Surplus/Deficit	\$23,736,830
Deduct: Tangible Capital Assets	38,843,473
Add: Long-Term Debt	5,082,452
Add: Utility Reserves*	-
<b>Equals Working Capital Surplus/(Deficit)</b>	<b>(10,024,191)</b>
Operating Expenses	4,659,071
<b>20% of Operating Expenses (Target)</b>	<b>931,814</b>

\*Utility Reserves are maintained separately by the City based on the City's Contribution Agreement with HudBay

The working capital does not meet the Board requirement.

## 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.

The City's allocation plan for shared costs is unchanged from the Board's previous approval and is as follows:

Shared Overhead: Includes these direct and indirect costs related to the administration of the Utility		
Sub-Category	Activity/Expenses	% of Expenses Allocated to Utility
Direct Overhead Costs	Billing and Collection	40
	Receipting	40
	Payroll	10
Indirect Costs	CAO Salaries and Benefits	5
	Treasurer and Accountant	10
	Administrative Assistant	20
	Director of Works and Operations	40
	Works and Operations Foreman	40

## 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 as soon as it is known.

The City's 2018 Audited Financial Statements initially indicated an actual operating deficit of \$273,714. Subsequent to the City's Application, the City determined Utility expenses had been erroneously overstated. The revisions result in a surplus of \$34,286 for 2018.

The Board notes the City's Audited Financial Statements include Penalty Revenue of \$50,787 for 2019 and \$47,816 for 2018. The City also forecasts Penalty Revenue of \$48,500 for 2020 and \$49,000 for 2021. The City advises it has approximately 250 customer accounts annually that do not pay utility bills by the due date, but allows them to remain outstanding until the City transfers the outstanding balances to customer taxes in mid-December each year.

## 4.0 Board Findings

The Board has reviewed the City's application for revised rates and the projections presented by the City in its rate application and is concerned minimum consumption/rates for customers with meter sizes of 5/8" and 3/4" have not been adjusted to meet Board Guidelines since the cancellation of the metering project.

In the Board's view, minimum consumption/rates for customers with meter sizes of 5/8" and 3/4" were adjusted on a temporary basis to provide equity among both metered and unmetered service until the completion of the metering project and rates could then be revised to comply with Board Guidelines.

The Board therefore varies the effective dates and approves the requested rates to October 1, 2020 and January 1, 2021 to allow the City to revisit the minimum consumption/rates for customers with meter sizes of 5/8" and 3/4".

The Board is concerned the current rate structure is unfair to customers with meters versus customers without meters. In general, installation of meters allow customers to regulate their water consumption to effectively budget for water and wastewater charges. The Board therefore recommends the City request rates to be reflective of consumption based on metered versus non-metered customers in its next rate study.

The Board directs the City to review its water and wastewater rates for the Utility for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates (if required) on or before October 1, 2021. The Board recommends the City revise minimum consumption/rates for customers with meter sizes of 5/8" and 3/4" according to Board methodology as outlined in the Board Guidelines.

The Board notes, applications for revised rates are not required to use Board methodology, however, any proposed/requested variation must be clearly substantiated in the Application. This includes (but is not limited to) all supporting calculations, a clear and concise explanation

for the proposed variation, and any other information to justify the methodology to both the Board and Utility customers.

The Board notes the cost allocation methodology is unchanged and reminds the City this methodology must be used consistently; and any changes to the cost allocation methodology require Board approval.

The Board notes the City revised its 2018 Audited Financial Statements on July 28, 2020 resulting in a revised actual operating surplus for the Utility.

The Board has considered the evidence presented by the City with respect to utility rates for services to customers from the Channing area of the City. The Board had re-examined its previous directive for the City to file an application for rates to provide services to customers from the Channing and will set it aside. The Board accepts the City's rate structure proposed in its Application is appropriate.

## **5.0 IT IS HEREBY ORDERED THAT:**

1. The revised water and wastewater rates for the City of Flin Flon, Flin Flon Water and Wastewater Utility, BE AND ARE HEREBY VARIED in accordance with the attached Schedule A, effective October 1, 2020 and January 1, 2021.
2. The City of Flin Flon 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.
3. The City of Flin Flon 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.
4. The City of Flin Flon review its water and wastewater rates for the Flin Flon Water and Wastewater Utility 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 October 1, 2021.

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](http://www.pubmanitoba.ca).

Fees payable upon this Order - \$250.00

THE PUBLIC UTILITIES BOARD

"Shawn McCutcheon"  
Panel Chair

"Frederick Mykytyshyn"  
Assistant Associate Secretary

Certified a true copy of Order No. 122/20  
issued by The Public Utilities Board



Assistant Associate Secretary

**SCHEDULE A**

**CITY OF FLIN FLON  
FLIN FLON WATER AND WASTEWATER UTILITY  
WATER AND WASTEWATER UTILITY RATES BY-LAW NO. 2019-11**

1. The Following rates shall apply to all “Services” included in the water and wastewater utility of The City of Flin Flon:

**CLASS A**

All unmetered services will experience a billing increase of 3% in 2020, 3% in 2021 and 3% in 2022 as depicted in the following table. A late payment charge of 1.25% shall be charged on the dollar amount owing on the first day of each month following the month in which bills are rendered.

	January 1, 2018	January 1, 2019	October 1, 2020	January 1, 2021
Unmetered Monthly	\$103.83	\$103.83	\$106.81	\$109.87
Unmetered Quarterly	\$311.49	\$311.49	\$320.43	\$329.61

**CLASS B – Commodity Rates per 1,000 Gallons – All Metered Services**

All consumption shall be at the Combined Commodity Charge of:

2018: \$11.62

2019: \$11.62

2020: \$11.97 (effective October 1, 2020)

2021: \$12.33

All billings under Class “A” and “B” shall be rendered to consumers on the 1st day of the month following the quarter or month for which charges accrue.

**Minimum Charges Monthly**

Notwithstanding the Commodity Rates set forth above, all metered customers will pay the applicable minimum charges set out below, which will include water allowances indicated:

Meter Size	Meter Capacity Ratio	Minimum Monthly Consumption	Monthly Commodity Charge 2018/19	Monthly Minimum 2018/19	Monthly Commodity Charge October 1, 2020	Monthly Minimum October 1, 2020	Monthly Commodity Charges 2021	Monthly Minimum 2021
5/8"	1	6,000	\$11.62	\$74.78	\$11.97	\$76.87	\$12.33	\$79.02
3/4"	2	7,000	\$11.62	\$91.46	\$11.97	\$93.90	\$12.33	\$96.41
1"	4	8,000	\$11.62	\$113.20	\$11.97	\$115.99	\$12.33	\$118.86
1 1/2"	10	20,000	\$11.62	\$283.00	\$11.97	\$289.97	\$12.33	\$297.17
2"	25	50,000	\$11.62	\$707.50	\$11.97	\$724.93	\$12.33	\$742.88
3"	45	90,000	\$11.62	\$1,273.17	\$11.97	\$1,305.54	\$12.33	\$1,336.86
4"	90	180,000	\$11.62	\$2,547.00	\$11.97	\$2,609.75	\$12.33	\$2,674.38

For all meter sizes, volumes in excess of the minimum monthly consumption will be charged at the rate equal to the monthly commodity charge relevant to the current year per 1,000 gallons.

Late payment charge of 1.25% shall be charged on the dollar amount owing under Class "B" rates on the first day of each month following the month in which bills are rendered.

### **CLASS C**

The water delivery system operated by The City of Flin Flon for services provided to these properties within the City boundaries that are not served by the utility connected system shall be charged for water as follows:

2018: \$11.62

2019: \$11.62

2020: \$11.97

2021: \$12.33

Per 1,000 gallons based on an annual usage by the system of 2.7 million gallons.

### **The following clauses take effect October 1, 2020:**

2. The City will pay to the utility an annual rental of \$630.00 for each hydrant connected to the system.
3. Residential accounts may apply for a discontinuance of service for any period in excess of one month for an administration fee of \$93.98. Temporary discontinuances of service are not available for rental properties nor metered accounts.

4. Service may be discontinued and disconnected immediately, and without further notice, in the event of non-payment of the account on the first day of each month following the month in which bills are rendered.
5. Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties, and a reconnection fee of the greater of \$100.00 or actual costs have been paid.
6. Pursuant to Section 252(2) of *The Municipal Act*, the amount of all outstanding charges for water and wastewater 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.
7. The Council in the City of Flin Flon may sign agreements with customers for the provision of water and wastewater services to properties located outside the legal boundaries of the City. 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 the equivalent to the frontage levy, general taxes, and specialty 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.
8. That in any case where, at the request of Council, a customer allows water to run continuously for any period of 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 premise, if the occupant has changed.
9. By-Law No. 2014-11 will be repealed and this By-Law shall come into full force and effect upon:
  - a) Approval by The Public Utilities Board of the Province of Manitoba.
  - b) Final passage on second and third readings by the Council of The City of Flin Flon.