

Order No. 14/20

**RURAL MUNICIPALITY OF ST. ANDREWS
PRUDEN AVENUE WASTEWATER UTILITY
FINAL WASTEWATER RATES
2016, 2017 AND 2019 OPERATING DEFICITS**

January 24, 2020

**BEFORE: Irene Hamilton, Q.C., Panel Chair
Carol Hainsworth, C.B.A., Panel Member**

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1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) confirms as final wastewater rates for the Rural Municipality of St Andrews (RM), Pruden Avenue Wastewater Utility (Utility). These rates were previously established on an interim *ex parte* basis in Board Order No. 60/19.

The Board grants approval of actual and anticipated operating deficits for the years 2016, 2017 and 2019 to be recovered from the Utility Accumulated Surplus.

The approved rates are as follows:

	Oct 1, 2019	Jan 1, 2021
Quarterly Service Charge	\$54.35	\$62.45
Wastewater per cubic meter	\$3.18	\$3.65
Minimum charge*	\$98.87	\$113.55

*based on 14m3

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 Pruden Avenue Wastewater Utility. The Utility was established in 2010 to provide service to Mapleton Lane (Mapleton) a 49 unit life lease facility located close to the boundary between the RM and the City of Selkirk. Service is provided by the City of Selkirk Utility. The RM extended service lines along Pruden Avenue in 2015, allowing for additional residential connections. At the time of the application, two Pruden Avenue residents were connected, bring the total number of customers to three. The Province of Manitoba requires residents to connect to available sewer lines within a period of five years. The RM advises there are nine additional single family residential properties that could be connected.

The residents have water service from their own private wells, and all customers have meters on their wells.

3.0 Application

On April 3, 2019, the Board received an application for revised rates from the RM for the Pruden Avenue Wastewater Utility. The application was accompanied by a rate study completed by the RM's consultant and By-law 4306 read for the first time on March 12, 2019. The Board granted approval of the revised rates on an interim *ex parte* basis, as requested by the RM.

The RM bills quarterly, separate from the annual property tax bill.

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 this option for this application.

The RM used the following projections to calculate the requested rates:

	2020	2021	2022
General expenses - Administration	\$ 500	\$ 500	\$ 500
Wastewater expenses			
Wastewater treatment costs (paid to Selkirk)	\$ 13,713	\$ 15,535	\$ 15,535
Amortization	\$ 6,729	\$ 6,729	\$ 6,729
Interest on long term debt	\$ 2,727	\$ 2,664	\$ 2,181
Total wastewater expenses	\$ 23,169	\$ 24,928	\$ 24,445

The RM's consultant calculated the indicated rates for the 2022 projected revenue requirements and proposed the Utility implement 2/3 of the increase effective October 1, 2019, and the final 1/3 effective January 1, 2021.

Contingency Allowance and Utility Reserves

The Board's 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 contingency allowance of 10% of variable operating expenses. This equates to approximately \$1,500 built into wastewater rates annually. The rates do not include an annual contribution for utility reserves.

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 2018 audited financial statements, the Utility had a working capital surplus at December 31, 2018.

	2018
Accumulated Fund Surplus	208,320
Deduct tangible capital assets	310,884
Add long term debt	92,972
Add utility reserves	12,820
Equals Working Capital Surplus	3,228
Operating costs	18,861
20% of operating costs (target)	3,772

Operating Deficits

By law, Manitoba utilities are not allowed to incur deficits. In the event a deficit does occur, *The Municipal Act* requires the Utility 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 operating deficits for the years 2016 (\$5,404), 2017 (\$5,199) and 2019 (\$1,052). The application requested the deficits be recovered from the Utility's Accumulated Surplus.

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.

The RM has proposed a CAM based on a flat charge of \$500 per year, stating the small number of ratepayers as the rationale. The RM stated its intention to revisit the charge when more residents connect to the system.

4.0 Board Findings

The Board has reviewed the application and revenue projections presented by the RM and finds them to be reasonable. The Board finds the RM's requested methodology to phase in the rate increases to be acceptable and confirms as final the rates approved on an interim *ex parte* basis in Board Order No. 60/19.

The Board grants approval of the actual and anticipated deficits for 2016, 2017 and 2019, totalling \$11,655. Recovery to be made through the Utility Accumulated Surplus.

The Board grants approval of the Cost Allocation Methodology (CAM) as applied for, and reminds the RM this methodology must be used consistently and requires Board approval should any changes be considered.

The RM's 2018 audited financial statements Note 19 indicates the Utility has annual capital grant amortization of \$1,356. The rate study indicated an additional \$1,900 per year in contributed asset amortization. The Board recommends the RM work with its auditor to update the statements, as this information is important for rate setting purposes.

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 wastewater rates for adequacy and file a report with the Board, as well as an application for revised rates if required, on or before June 30, 2022. The Board reminds the RM it is responsible for the continuous monitoring of the financial health of the Utility and applying for revised rates on a regular schedule.

5.0 IT IS THEREFORE ORDERED THAT:

1. The wastewater rates for the Rural Municipality of St Andrews – Pruden Avenue Wastewater Utility, as approved on an interim *ex parte* basis in Board Order No. 60/19, BE AND ARE HEREBY CONFIRMED AS FINAL in accordance with the attached Schedule A.
2. The actual and anticipated deficits, when calculated for regulatory purposes, in 2016, 2017 and 2019, in the cumulative amount of \$11,655, incurred in the Rural Municipality of St Andrews – Pruden Avenue Utility, BE AND ARE HEREBY APPROVED to be recovered from the Utility Accumulated Surplus.
3. The Cost Allocation Methodology for shared services as submitted by the Rural Municipality of St Andrews for the Pruden Avenue Wastewater Utility BE AND IS HEREBY APPROVED.
4. The Rural Municipality of St Andrews review Pruden Avenue Wastewater Utility rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates (if necessary), on or before June 30, 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

"Irene Hamilton"

Panel Chair

"Jennifer Dubois, CPA, CMA"

Assistant Associate Secretary

Certified a true copy of Order No. 14/20
issued by The Public Utilities Board



Assistant Associate Secretary

**RURAL MUNICIPALITY OF ST. ANDREWS
PRUDEN AVENUE UTILITY
SCHEDULE "A"
TO SEWER UTILITY RATES BY-LAW NO.4306
SCHEDULE OF QUARTERLY RATES**

1. Schedule of Commodity Rates & Quarterly Service Charge October 1, 2019
- Rates per 1,000 Gallons 1,000 Gallons per quarter
- Sewer
- \$3.18
- Quarterly Service Charge \$54.35

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) Sewer Customers

<u>Meter Size</u>	<u>Sewer Included C.M.</u>	<u>Customer Service Charge</u>	<u>Sewer Commodity Charge</u>	<u>Sewer Total Quarterly Minimum</u>
5/8 inch	14	\$54.35	\$44.52	\$98.87
3/4 inch	28	\$54.35	\$89.04	\$143.39
1 inch	56	\$54.35	\$178.08	\$232.43
1 ½ inch	140	\$54.35	\$445.20	\$499.55
2 inch	350	\$54.35	\$1,113.00	\$1,167.35
3 inch	630	\$54.35	\$2,003.40	\$2,057.75
4 inch	1,260	\$54.35	\$4,006.80	\$4,061.15
6 inch	2,380	\$54.35	\$7,568.40	\$7,622.75

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2021

Rates per 1,000 Gallons

1,000 Gallons per quarter

Sewer

\$3.65

Quarterly Service Charge

\$62.45

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) **Sewer Customers**

Meter Size	Sewer Included C.M.	Customer Service Charge	Sewer Commodity Charge	Sewer Total Quarterly Minimum
5/8 inch	14	\$62.45	\$51.10	\$113.55
3/4 inch	28	\$62.45	\$102.20	\$164.65
1 inch	56	\$62.45	\$204.40	\$266.85
1 ½ inch	140	\$62.45	\$511.00	\$573.45
2 inch	350	\$62.45	\$1,277.50	\$1,339.95
3 inch	630	\$62.45	\$2,299.50	\$2,361.95
4 inch	1,260	\$62.45	\$4,599.00	\$4,661.45
6 inch	2,380	\$62.45	\$8,687.00	\$8,749.45

The following clauses take effect October 1, 2019:

1. Billings and Penalties

Accounts shall be billed quarterly based on water used and are payable within 30 days of the billing date. A late payment penalty charge of 1 ¼% compounded monthly shall be charged on the dollar amount owing after the billing due date.

2. 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.

3. Liability for Charges

Pursuant to Section 252 (2) of the Municipal Act, the amount of all outstanding charges for sewer 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.

4. Service To Customers Outside Utility's Limits

The Council of Rural Municipality of St. Andrews may sign Agreements with customers for the provision of sewer services to properties located outside the legal boundaries of the Pruden Avenue sewer utility. 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 the Municipality's 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. Sewer 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.

6. Meter Tampering

Where there is evidence of meter tampering a minimum charge of \$500 will be applied to the customer's account in addition to an amount calculated to adjust for the tampering based on historical usage.

7. Conditions of Disrepair

In the event that there are conditions of disrepair in the sewer 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.

8. 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.