

Order No. 20/20

**PRAIRIE VIEW MUNICIPALITY
FOXWARREN WASTEWATER UTILITY
WASTEWATER RATES
EFFECTIVE JANUARY 1, 2020, JANUARY 1, 2021, and JANUARY 1, 2022**

February 11, 2020

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) approves the revised wastewater rates for the Prairie View Municipality (Municipality), Foxwarren Wastewater Utility (Utility) and varies the effective dates to January 1, 2020, January 1, 2021, and January 1, 2022.

The approved rates are as follows:

	Current Rate By-Law 2010- 03	January 1, 2020	January 1, 2021	January 1, 2022
Annual Service Charge	\$32.00	\$28.50	\$25.00	\$21.51
Wastewater Rate (per REU)	\$55.20	\$76.68	\$98.16	\$119.64
Total Annual Charge*	\$87.20	\$105.18	\$123.16	\$141.15

*Based on 1 Residential Equivalency Unit (REU)

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 Municipality owns and operates the Foxwarren Wastewater Utility, which provides services to 65 customers. The residents are provided water service from their own private wells.

The Municipality advises that the number of REUs assigned is 68. One REU is the estimate of the volume of wastewater produced by the average single-family residence. Units allocated to non-residential customers are based on estimated consumption, as compared with a residence. REUs are used in communities with unmetered distribution and collection systems, where information regarding actual consumption is unavailable.

Wastewater Collection and Treatment

The Utility was constructed in the late 1970's and consists of a low pressure wastewater system, with a two-cell lagoon. A new wastewater main was installed in 2002 to improve wastewater flows in the lagoon resulting from customer's weeping tiles draining into the wastewater system during years of high precipitation.

Customers are responsible for arranging the pump out of their holding tanks as required.

3.0 Application

On July 15, 2019, the Board received an application for revised rates from the Municipality for the Utility. The application was accompanied by a rate study completed by the Municipality's consultant and By-Law No. 2019-08 read for the first time on June 9, 2019.

The Municipality last had a rate increase in July 2010, approved in Board Order No. 76/10.

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 reviewed this application and has chosen a paper review process.

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

Schedule of Utility Rate Requirements – Foxwarren Wastewater Utility 2021 to 2023 Budget Forecasts (\$)			
	2021	2022	2023
	Forecast		
General Expenses			
Administration	2,401	2,449	2,498
Total General Expenses	2,401	2,449	2,498
Revenue			
Penalties	100	100	100
Investment Income	1,000	1,000	1,000
Total General Revenues	1,100	1,100	1,100
Net Costs General	1,301	1,349	1,398
Wastewater Expenses			
Collection System	2,550	2,601	2,653
Amortization	7,045	7,045	7,045
Net Costs Wastewater	9,595	9,646	9,698
Net Operating Costs	10,896	10,995	11,096

Inadequate Utility rates have resulted in past and projected operating deficits. The proposed Utility rate increases are necessary to provide for insufficient rates, which have not been increased since 2010.

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 Municipality has included a contingency allowance of \$531 or 20% of operating costs.

The Municipality advises the working capital surplus exceeds the Board requirements and is projected to continue to exceed Board requirements for the duration of the requested rates, therefore no transfer to the Utility reserve is included in the Municipality's application.

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. The 2018 audited financial statements are not available.

	2018
Utility Fund Surplus/Deficit	\$265,649
Deduct: Tangible Capital Assets	184,352
Add: Long-Term Debt	-
Add: Utility Reserves	17,293
Equals Working Capital Surplus (Deficit)	\$98,590
Operating Expenses	11,392
20% of Operating Expenses (Target)	\$2,278

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

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 Municipality's administration cost allocation is proposed to be based on 0.25% of Financial Plan General "At Large" Government Services less assessment and grants expenses as follows:

Prairie View Municipality – Foxwarren Wastewater Utility Allocation Plan for Non-Direct Shared Services (see Note 1) as at June, 2019			
Category	Sub-category	Options	
1.0	Administrative Staff		0.25% of general legislative expenses excluding assessment and grant expenses.
	1.1 Billing services – meter reading to receipting and collection.		Meter Reading – N/A; Wastewater only utility with no meters.
	1.2 Accounting/ auditing/ including bylaw making and enforcement.		0.25% of audit costs
	1.3 Common office space		0.25% of office costs, utilities
	1.4 Office overheads (telephone, photocopier, computer, etc.)		0.25% of printing, postage, and stationary.
2.0	Operating, construction and maintenance costs		
	2.1 Vehicle – fuel, maintenance, lease costs, capital costs		No charges to utility; minimal use.
	2.2 Labor – full time, part time, on call, sick time, vacation (see Note 2)		Utility staff on time sheets and actual time worked is charged to the Utility.
	2.3 Public works building and property.		There is no charge to the Utility for the Public Works Building use.
	2.4 Road repairs and alike (see Note 3)	Based on actual costs	-
3.0	Major projects		
	Interest/ financing		N/A
	Labor	Based on actual costs	-
	External costs	Direct charge (dedicated consulting)	-

4.0 Board Findings

The Board has reviewed the application and the projections presented by the Municipality in its rate application and notes the calculations used to formulate the Utility's rates are not consistent with Public Utilities Board Guidelines, but instead have been designed to phase-in rates to mitigate rate-shock and high year-over-year rate increases. The Board also notes, this methodology for calculating the rates requested are forecast to result in forecasted operating deficits of \$6,772 for 2019, \$2,876 for 2020, \$1,736 for 2021, and \$602 for 2022 or a total four-year deficit of \$11,986.

The Board notes the Utility has sufficient working capital surplus to provide for the forecasted 2019 through 2022 deficits, therefore finds this methodology acceptable and approves the wastewater rates as applied for by the Municipality, but varies the effective dates to January 1, 2020, January 1, 2021, and January 1, 2022 to mitigate the forecasted deficit amounts. The Board notes, however, use of this rate setting methodology requires diligent year-over-year monitoring of the Utility's budget.

The Board approves the Municipality's Deficit application for the two-year actual operating deficits of \$2,110 for 2017 and \$1,849 for 2018 and the four-year forecasted operating deficits of \$6,772 for 2019, \$2,876 for 2020, \$1,736 for 2021, and \$602 for 2022 or a total six-year operating deficit of \$15.945 to be recovered from the Utility's accumulated surplus.

The Board is concerned the Utility has experienced operating deficits in 2015 (Board Order No. 25/17), 2016 (Board Order No. 66/18), 2017, and 2018 and has depleted its working capital surplus to absorb these deficits. The continued use of the working capital surplus to absorb further, future year deficits does not provide relief to ratepayers, it simply defers the financial consequences of inadequate rate setting and diminishes the effectiveness of the user pay principle.

The Board approves the revised cost allocation methodology and reminds the Municipality this methodology must be used consistently, any changes to the new, revised cost allocation methodology require Board approval.

The Board requires the Municipality to review its wastewater rates for the Utility for adequacy and file a report with the Board, as well as an application for revised rates (if required) on or before December 31, 2022.

It has been nine years since the Municipality has submitted a rate application to the Board, which has resulted in multi-year deficits. In the Board's view the period between rate reviews is too long. Regular rate reviews submitted every three years, as per the Board Guidelines, protect the financial position of the Utility and may reduce the need for substantial rate increases in one year. In some cases, the additional cost of a rate rider becomes necessary to recover utility deficits.

It is the Utility's responsibility to review the rates and ensure rates are adequate to recover the costs of service being provided to ratepayers. Ratepayers are generally more tolerant of regular, smaller increases. The Municipality needs to be much more diligent in conducting regular rate reviews of its revenue requirements.

5.0 IT IS THEREFORE ORDERED THAT:

1. The revised wastewater rates for the Prairie View Municipality, Foxwarren Wastewater Utility, BE AND ARE HEREBY VARIED in accordance with the attached Schedule A, effective January 1, 2020, January 1, 2021, and January 1, 2022.
2. The cost allocation methodology for shared services as submitted by the Prairie View Municipality BE AND IS HEREBY APPROVED.
3. The Prairie View Municipality 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 Prairie View Municipality 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 Prairie View Municipality review its wastewater rates for the Foxwarren 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 December 31, 2022.
6. The Deficit Application by the Prairie View Municipality BE AND IS HEREBY APPROVED.
7. The 2017 actual operating deficit of \$2,110, 2018 actual operating deficit of \$1,849, 2019 forecasted operating deficit of \$6,772, 2020 forecasted operating deficit of \$2,876, 2021 forecasted operating deficit of \$1,736, and 2022 forecasted operating deficit of \$602 when calculated for regulatory purposes, incurred in the Prairie View Municipality, Foxwarren Wastewater Utility, is HEREBY APPROVED to be recovered from the Utility's Accumulated Surplus Account, effective the date of this Order.

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.

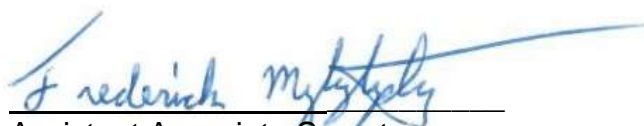
Fees payable upon this Order - \$650.00

THE PUBLIC UTILITIES BOARD

"Carol Hainsworth, C.B.A."
Panel Chair

"Frederick Mykytyshyn"
Assistant Associate Secretary

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


Assistant Associate Secretary

**SCHEDULE A
TO BY-LAW NO. 2019-08**

Schedule of wastewater rates for properties serviced by the Foxwarren Utility

**SCHEDULE OF ANNUAL RATES
January 1, 2020**

1. Customer Service Charge
The annual customer service charge shall be \$28.50

2. Commodity Rates
The commodity rate for all wastewater usage shall be based on one residential equivalency unit and pro-rated in accordance with the Schedule of Minimum Annual Charges as detailed in Clause 3 hereafter. The annual wastewater usage rate for one residential equivalent unit shall be \$76.68

3. Schedule of Minimum Annual Charges

<u>Customer</u>	<u>REU's</u>	<u>Customer Service Charge</u>	<u>Wastewater Commodity Charge</u>	<u>Total Annual Charges</u>
Residential per Unit – Small Commercial	1	\$28.50	\$76.68	\$105.18
Foxwarren Area – Mouson’s Welding	1.5	\$28.50	\$115.02	\$143.52
Foxwarren Leisure Centre – Foxwarren Hotel	2	\$28.50	\$153.36	\$181.86

**SCHEDULE OF ANNUAL RATES
January 1, 2021**

1. Customer Service Charge
The annual customer service charge shall be: \$25.00

2. Commodity Rates
The commodity rate for all wastewater usage shall be based on one residential equivalency unit and pro-rated in accordance with the Schedule of Minimum Annual Charges as detailed in Clause 3 hereafter. The annual wastewater usage rate for one residential equivalent unit shall be: \$76.68

3. Schedule of Minimum Annual Charges

<u>Customer</u>	<u>REU's</u>	<u>Customer Service Charge</u>	<u>Wastewater Commodity Charge</u>	<u>Total Annual Charges</u>
Residential per Unit – Small Commercial	1	\$25.00	\$98.16	\$123.16
Foxwarren Area – Mouson’s Welding	1.5	\$25.00	\$147.24	\$172.24
Foxwarren Leisure Centre – Foxwarren Hotel	2	\$25.00	\$196.32	\$221.32

SCHEDULE OF ANNUAL RATES
January 1, 2022

1. Customer Service Charge

The annual customer service charge shall be: \$21.51

2. Commodity Rates

The commodity rate for all wastewater usage shall be based on one residential equivalency unit and pro-rated in accordance with the Schedule of Minimum Annual Charges as detailed in Clause 3 hereafter. The annual wastewater usage rate for one residential equivalent unit shall be: \$119.64

3. Schedule of Minimum Annual Charges

<u>Customer</u>	<u>REU's</u>	<u>Customer Service Charge</u>	<u>Wastewater Commodity Charge</u>	<u>Total Annual Charges</u>
Residential per Unit – Small Commercial	1	\$21.51	\$119.64	\$141.15
Foxwarren Area – Mouson's Welding	1.5	\$21.51	\$179.46	\$200.97
Foxwarren Leisure Centre – Foxwarren Hotel	2	\$21.51	\$239.28	\$260.79

The Following Clauses Take Effect January 1, 2020

1. Annual Billing

Accounts shall be billed annually.

A late payment charge of 1.25% compounded monthly shall be charged on the dollar amount owing after the billing date. The due date will be at least fourteen (14) days after the mailing of the bills.

2. Disconnection

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 offices.

Any customer disconnected for non-payment shall pay a reconnection charge based on actual costs of doing the work plus payment of the arrears with penalty charges and \$10.00 for a reconnection permit.

3. Outstanding Bills

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

4. Service To Customers Outside Foxwarren Limits

The Council of Prairie View Municipality may sign Agreements with customers for the provision of wastewater services to properties located outside the boundaries of the Foxwarren Wastewater Utility. 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 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 Foxwarren Wastewater Utility 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.