

**Order No. 104/21**

**CITY OF SELKIRK  
SELKIRK WATER AND WASTEWATER UTILITY  
COST ALLOCATION METHODOLOGY**

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**September 28, 2021**

**BEFORE: Marilyn Kapitany, B.Sc. (Hon), M. Sc., Panel Chair  
Irene Hamilton, Q.C., Panel Chair**

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## 1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) grants approval of the City of Selkirk (City), Selkirk Water and Wastewater Utility's (Utility) application for a revised Cost Allocation Methodology (CAM). The City has stated it is not applying to revise its utility rates at this time.

Details of the revised CAM are in Schedule A.

The reasons for the Board's decisions are under Board Findings.

## **2.0 Background**

The City of Selkirk (City) owns and operates the Selkirk Water and Wastewater Utility (Utility). All customers are metered and utility bills are sent out quarterly, separate from property tax bills.

Current utility rates were set in Board Order No. 173/18, effective January 1, 2021. At that time, the Utility advised there were 3,321 meters on the system.

## **3.0 Board Methodology**

### **Cost Allocation Methodology**

The Board requires all municipalities to review the costs shared between the general operations of the City and the Utility, and to allocate appropriate and reasonable costs to the Utility, based on a policy known as a Cost Allocation Methodology. This policy must be submitted to the Board for approval and cannot be changed without approval by the Board. The Board's requirements regarding cost allocation methodologies can be found in Board Order No. 93/09.

## 4.0 Application

On September 23, 2021, the Board received the City's application to revise the Cost Allocation Methodology (CAM). The application was accompanied by certified Council Resolution No. 290/21, supporting details of the proposed change including comparisons to the existing CAM, and a report reviewing the proposed changes to the CAM and the financial impact of those changes on the Utility, completed by the City's consultant.

The City's application also included a schedule of updated PUB Schedule 9 operating results for the years 2014 to 2020 (audited) and budgeted results for 2021 and 2022. This submission showed the Utility had experienced a surplus of \$2,052,268, when calculated for regulatory purposes.

In response to the Board's queries, the City's consultant advised the 2020 audit picture is incomplete due to timing issues with the issuance of debt, as well as the offsetting capital grant amortization, which will not begin until the related capital asset is complete and amortization of the asset begins. The consultant also advised the City intends to submit a simplified rate application in 2022 with a full rate study to follow in 2023 or 2024.

The application states the proposed changes to the CAM will increase the shared costs allocated to the Utility by \$182,442, which the City advises can be absorbed into the budgeted surplus.

The Board has not issued a Public Notice of Application because the application to revise the CAM did not include any provision to change the Utility's rates in any way.

## 5.0 Board Findings

The Board considered the City's request for a revised Cost Allocation Methodology. Having considered the City's filing and reviewed the 2020 audited financial statements, the Board has chosen a paper review process.

The Board has reviewed the application and changes to the current CAM proposed by the City and finds the revisions to be reasonable. The information submitted was thorough and presented in a straightforward and transparent manner. In particular, the inclusion of a side-by-side comparison to the existing CAM was helpful to the Board in reviewing the application. The Board appreciates the City's efforts in preparing the application.

The 2020 audited financial statements present the Utility revenue as either water fees or sewer fees, with no indication of the total fees collected by way of the quarterly service charge. This is not an unusual presentation, but it does present a challenge when the Board is reviewing the annual results for the Utility and attempting to determine whether the quarterly service charge, water rates and wastewater rates are appropriately recovering the associated costs. This is of particular interest because the quarterly service charge is set on a flat rate, while the water and wastewater rates are charged based on volume. The City has indicated through its consultant the intention to file for a rate increase using the Board's simplified filing process, and the Board will require information showing the breakdown in fees between the different types of revenue.

The Board recommends the City work with its auditor(s) to present this information in the audited financial statements going forward. If this information is not included in Schedule 9, it limits the Board's ability to assess the Utility's existing rates as appropriate.

The Board reminds the City regular reviews are important for a financially sound utility and encourages the City 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 City finds it meets the designated criteria for a

simplified rate application, it should apply for future rates using the Simplified Rate Application Process.

## 6.0 IT IS THEREFORE ORDERED THAT:

1. The Cost Allocation Methodology for shared services as submitted by the City of Selkirk Water and Wastewater Utility BE AND IS HEREBY APPROVED in accordance with the attached Schedule A, effective January 1, 2022.

Fees payable upon this Order - \$150.00

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

THE PUBLIC UTILITIES BOARD

"Marilyn Kapitany, B.Sc. (Hon), M. Sc"  
Panel Chair

"Jennifer Dubois, CPA, CMA"  
Assistant Associate Secretary

Certified a true copy of Order No. 104/21  
issued by The Public Utilities Board



Assistant Associate Secretary

# City of Selkirk

## PROPOSED COST ALLOCATION METHODOLOGY FOR SHARED COSTS UTILITY AND CITY OPERATIONS

<b>Allocation Plan for Shared Costs</b>				
<b>Shared Overhead:</b>				
Includes all direct and indirect costs related to the administration of the utility.				
<b>Sub-Category</b>	<b>Business Activity</b>	<b>Activity/Expenses(object)</b>	<b>% of Expenses allocated to Utility (Estimated)</b>	<b>Tracked Increments (Actual)</b>
<b>Direct Overhead Costs</b>	Billing, Receipting and Collection	Utility Clerk	100%	/hr
<b>Indirect Overhead Costs</b>	General Administrative Costs	Council	10%	/hr
		Chief Administrative Officer	20%	/hr
		Director of Finance	40%	/hr
		Manager of Accounting	40%	/hr
		Manager of Finance	25%	/hr
		Accounting Clerk	50%	/hr
		Tax Clerk	15%	/hr
		Director of Operations	50%	/hr
		Manager of Public Works	10%	/hr
		Public Works Chargehand	10%	/hr
		Surveyor/Draftsman	50%	/hr
		GIS / Survey Technician	50%	/hr
		Operations Clerk	50%	/hr
		Casual Operations Clerical	50%	/hr
		Energy Efficiency Program Administrator	25%	/hr
		Director of Corporate Services	14%	/hr
		Human Resources Manager	14%	/hr
		Human Resources Administrator	14%	/hr
		Information Technology Administrator	25%	/hr
		Executive Assistant	10%	/hr
	Marketing & Communications Coordinator	15%	/hr	
	Citizen Support Representative (2 positions)	25%	/hr	
	Project Administrator	25%	/hr	
				/hr
	Shared Overhead Costs	- Audit	25%	/hr
		- Office Space	N/A	\$Applicable Market Rate /year



		- Information Technology	25%	/hr
<b>Shared Direct Operating Costs:</b>				
Includes all <b>costs directly attributable</b> to the maintenance and repair of the utility. Public work employees repair and maintain both transportation and utility infrastructure. A portion of the cost for the public works department should be allocated to the utility.				
Sub-Category	Business Activity	Activity/Expenses(object)	% of Expenses allocated to Utility (Estimated)	Tracked Increments (Actual)
Direct Equipment Costs	Machinery and Equipment costs directly attributable to the maintenance and repair of utility TCA	- Machinery & Equipment - Internal	N/A	Applicable Unit \$ Rate/hr
Direct Labour	Labour costs directly attributable to the maintenance and repair of utility TCA	- Heavy Equipment Operator 1 (3 positions)	6%	/hr
		- Heavy Equipment Operator 2 (2 positions)	14%	/hr
				/hr
<b>Shared Capital Costs:</b>				
These shared <b>costs should not be directly charged</b> to utility operations. Capital costs should be capitalized as a tangible capital asset and amortized to utility operations over its useful life. * Includes all costs directly attributable to the development and construction of a tangible capital asset for a utility. Public works project often construct transportation and utility assets at the same time. In these cases a portion of the road work should be allocated to utility TCA based on the relative fair market value of the assets. *The cost of a tangible capital asset can include interest costs on debt directly attributable to the development and construction of a tangible capital asset. Only interest owed to external parties such as banks or debenture holders. Capitalization of interest cost must end when there				
Sub-Category	Business Activity	Activity/Expenses(object)	% of Expenses allocated to Utility (Estimated)	Tracked Increments (Actual)
Direct	Shared Capital Project	- Legal Fees / Survey Costs	Applicable Utility%	/hr
		- Installation Costs	Applicable Utility%	/hr

<b>Overhead Costs</b>		- Site Preparation Costs	Applicable Utility%	/hr
		- Design / Engineering Fees	Applicable Utility%	/hr
		- Interest on Debt	Applicable Utility%	/hr
<b>Direct Equipment Costs</b>	Shared Capital Project	- Machinery & Equipment - External	Applicable Utility%	/hr