

**Order No. 31/21**

**RURAL MUNICIPALITY OF SIFTON  
OAK LAKE WASTEWATER UTILITY  
REVISED RATES AND ACTUAL OPERATING DEFICITS**

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**MARCH 8, 2021**

BEFORE: Irene Hamilton, Q.C., 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) approves revised wastewater rates and a revised Residential Equivalent Unit (REU) schedule for the Rural Municipality of Sifton (RM), Oak Lake Wastewater Utility (Utility). The Board varies the effective dates to April 1, 2021, January 1, 2022, and January 1, 2023.

The approved rates and REU schedule are as follows:

	Current REUs	Revised REUs	April 1, 2021	January 1, 2022	January 1, 2023
Annual Service Charge	-	-	\$7.28	\$7.43	\$7.57
Residential Equivalent Unit Rate (REU)	1.0	1.0	67.06	67.86	68.69
Churches	1.0	0.6	40.23	40.72	41.21
Public School – Fort la Bosse	14.0	8.0	536.44	542.90	549.49
Public Works Shop and Apartment	2.0	4.0	268.22	271.45	274.74
Oak Lake Arena	2.0	4.5	301.75	305.38	309.09
Oak Lake Golf Club	2.0	1.0	67.06	67.86	68.69
Manitoba Housing - Aspen	2.8	2.5	167.64	169.66	171.71
Manitoba Housing - Oakwood	12.00	11.00	737.61	746.49	755.55
Town Hall/RM Office	3.0	3.0	201.17	203.59	206.06
Legion	2.0	1.0	67.06	67.86	68.69
Valley View Coop/Flett Shop	1.5	1.0	67.06	67.86	68.69
Oak Lake Hair Design	1.5	-			
Restaurant & Grocery	3.5	-			
Oak Lake Meat Market	1.5	-			
Oakland Hotel	6.0	-			
Valley View Coop (new)	-	2.0	134.11	135.73	137.37
Canada Post & Apt.	-	2.0	134.11	135.73	137.37
Oak Lake Curling Club	-	0.6	40.23	40.72	41.21
Wayne Douglas Plant	-	2.0	134.11	135.73	137.37
Oak Lake-Sifton Fire Dept./Ambulance	-	2.5	167.64	169.66	171.71
Oak Lake & District Museum	-	0.6	40.23	40.72	41.21
Oak Lake Community Hall	-	5.5	368.80	373.24	377.77
Total REU's	54.8	51.8			

The Board denies the RM's request to recover an actual operating deficit of \$30,476 for 2017, an actual operating deficit of \$35,557 for 2018, a forecasted operating deficit of \$96,476 for 2019, and a forecasted operating deficit of \$95,000 for 2020 to be recovered from future Utility working capital surplus funds.

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 RM owns and operates the Utility serving 206 wastewater customers with a requested, revised REU assignment of 240 REUs. Rates were last approved for the Utility in 1995 in Board Order No. 10/95, at that time there were 186 customers and an REU assignment of 226.8 REUs.

One REU is the estimate of the volume of water used by the average single-family residence. REUs are used in communities with an unmetered distribution and/or collection system, where information regarding actual consumption is unavailable.

The RM last had a deficit approved in 2018 of \$15,639 for 2014, to be recovered by a rate rider of \$15.84 per REU per customer per quarter for five quarters or until the deficit is fully recovered (whichever comes first), in Board Order No. 129/18.

The RM also had a deficit approved in 2013 of \$5,740.06 for 2010 and \$3,628.93 for 2011, to be recovered by a two-year rate rider in Board Order No. 07/13.

### **Wastewater Collection/Treatment**

The gravity-flow system was constructed between 1965 and 1971, consisting of clay pipe. A low-pressure plastic system was added in 1989 to service a new residential area located south of the Canadian Pacific Railway tracks. The customers serviced by the low-pressure system are required to pump out holding tanks at the expense of the Utility. A new lift station and lagoon was constructed from 2013 to 2014 and began operating in 2015.

The wastewater treatment facility is composed of a two-cell lagoon consisting of one primary treatment cell and one secondary storage cell. The RM advises there is sufficient capacity to provide for the RM's wastewater treatment and holding requirements. The lagoon discharges into a drainage ditch that converges with Flat Creek, which then converges with the Assiniboine River.

### **3.0 Application**

On March 26, 2020, the RM applied for revised wastewater rates, to be effective for 2021, 2022, and 2023 as outlined in By-Law No. 07-2019 having had first reading June 13, 2019. The application was supported by a rate study prepared by the RM's Chief Administrative Officer (CAO).

A Public Notice of Application was issued on March 31, 2020 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the RM on or before April 30, 2020. Two responses to the Notice were received from one individual, primarily with respect to the magnitude of the proposed rate increases and poor service.

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 RM's application.

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

<b>Schedule of Utility Rate Requirements – Oak Lake Wastewater Utility 2021 to 2023 Budget Forecasts (\$)</b>			
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>Forecast</b>		
<b>Operating Costs</b>			
Wages	\$25,000	\$25,500	\$26,010
Fuel/Insurance	250	255	260
Machinery/Equipment	1,500	1,530	1,561
Lift Station	4,500	4,590	4,682
Treatment and Disposal	7,500	7,650	7,803
Amortization	95,384	95,384	95,384
Connection	3,000	3,000	3,000
Interest on Debentures	23,275	21,875	20,419
Total Operating Costs	160,409	159,784	159,119
<b>Operating Revenues</b>			
Lagoon Tipping Fees	23,500	23,500	23,500
Connection	3,000	3,000	3,000
Other	500	500	500
Amortization of Capital Grants	45,761	45,761	45,761
Taxation	11,737	11,737	11,737
Transfer From Reserves	11,538	10,138	8,682
Total Operating Revenues	96,036	94,636	93,180
<b>Net Revenue Requirements</b>	<b>\$64,373</b>	<b>\$65,148</b>	<b>\$65,939</b>

The proposed Utility rate increases are requested to increase rates to a current level that will financially sustain the Utility, given rates have not increased/been approved by the Board since 1995.

### **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 RM has not included a contingency allowance an annual reserve allowance in its Application.

## 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 2018 Audited Financial Statements, the most recent information available, the working capital deficit for the Utility at December 31, 2018 was:

	2018	2017
Utility Fund Surplus/Deficit	\$2,395,912	\$2,479,230
Deduct: Tangible Capital Assets	4,433,012	4,528,396
Add: Long-Term Debt	-	-
Add: Utility Reserves	15,923	13,681
<b>Equals Working Capital Surplus (Deficit)</b>	<b>\$(2,012,077)</b>	<b>\$(2,035,485)</b>
Operating Expenses	144,390	138,425
<b>20% of Operating Expenses (Target)</b>	<b>\$28,878</b>	<b>\$27,685</b>

The Utility does not meet 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 RM's allocation plan for shared costs is as follows:

<b>Rural Municipality of Sifton Oak Lake Wastewater Utility Allocation Plan for Shared Costs</b>				
<i>Shared Overhead: Includes all direct and indirect costs related to the administration of the Utility.</i>				
Sub-Category	Activity/Expenses (Object)	Expenses Allocated to Utility		Tracked Increments (Actual)/hr
		Percentage (%)	Dollar Value (\$)	
<b>Direct Overhead Cost</b>	Meter Reading – Salaries and Wages	-	-	-
	Billing – Receipting and Collection	7%	\$4,000	-
<b>Indirect Overhead Costs – General Administrative Costs and Shared Office Costs</b>	CAO Salaries and Benefits	1%	\$500	-
	Council Costs	-	-	-
	Audit and Legal	4%	\$500	-
	Interest Cost on Office Space	-	-	-
	Lease Costs	-	-	-
	Utilities (i.e. telephone, heat, etc.)	10%	\$500	-
	Photocopying (etc.)	25%	\$500	-
<b>Service Charge Calculation</b>	Total		\$6,000	<i>As per internal review 2019 - RM of Sifton</i>
	Total Number of Customers		206	
	Annual Service Charge/Customer		\$29.13	
	Quarterly Service Charge/Customer		\$7.28	
<i>Shared Direct Operating Costs: Includes all costs directly attributable 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.</i>				
<b>Direct Equipment Costs</b>	Public Works Buildings - Maintenance	-	-	-
	Vehicles – Fuel/Insurance	-	\$250	-
	Machinery and Equipment	-	\$1,500	-
	Road Construction and Maintenance Equipment – Interest / Lease Costs / Amortization	-	-	-
Direct Labour	Labour costs directly attributable to the maintenance and repair of Utility Tangible Capital Assets.		\$25,000	-
<b>Shared Capital Costs – N/A</b>				



## Deficits

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

Included in the RM's Application, were Deficit Applications as follows:

2017 Actual Operating Deficit -	\$61,015
2018 Actual Operating Deficit -	\$81,318
2019 Forecasted Operating Deficit -	\$96,476
2020 Forecasted Operating Deficit -	<u>\$95,000</u>
Total	<u>\$333,809</u>

On June 10, 2020, the RM submitted revised Deficit Applications due to calculation errors, requesting approval of actual operating deficits of \$30,476 for 2017 and \$35,557 for 2018 or a total two-year actual operating deficit of \$66,033. The revised, four-year actual and forecasted operating deficit is \$257,509.

The RM advises the deficits were a result of amortization related to \$4,600,000 for the lagoon, and is requesting the deficits be recovered from the future years' Utility Working Capital Surplus funds.

As of the date of this Order, the 2019 Audited Financial Statements (the most recent, required statements) were unavailable for the Board to review the Utility's 2019 working capital.

## 4.0 Board Findings

The Board has reviewed the application and the projections presented by the RM in its rate study and finds them to be acceptable. The Board approves the revised rates as applied for by the RM, but varies the effective dates to April 1, 2021, January 1, 2022, and January 1, 2023.

The Board approves the RM's revised Cost Allocation Methodology and reminds the RM the methodology must be used consistently; any changes to the Cost Allocation Methodology require Board approval.

The Board requires the RM 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 December 31, 2023.

The Board is concerned by the length of time between rate applications for the Utility. It has been over 25 years since the RM has submitted a Rate Application to the Board, which has resulted in multiple deficits. In the Board's view, the period between rate reviews is unacceptable. Regular rate reviews submitted every three years, as per the Board's Guidelines, protect the financial position of the Utility and may reduce the need for substantial rate increases in one year.

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

The Board has reviewed the RM's Deficit Applications and notes the RM's 2019 Audited Financial Statements were unavailable as of the date of this Order for the Board to review the Utility's 2019 working capital. The Board reminds the Utility, Audited Financial Statements are to be reported no later than June 30 of the following year. The Board directs the RM to submit its 2019 Audited Financial Statements as soon as they are available.

As per the RM's 2018 Audited Financial Statements, the Utility has a working capital deficit of \$2,012,077 for 2018 and a working capital deficit of \$2,035,485 for 2017 as per the RM's 2017 Audited Financial Statements. The Board finds the Utility does not have sufficient funding to recover the 2017 and 2018 total actual operating deficits of \$66,033 or the 2019 and 2020 total forecasted operating deficits of \$191,476.

The Board finds the Utility is not in a good financial position to absorb the applied for deficits and therefore it would be financially imprudent to recover the deficits from future utility working capital surpluses until they materialize and can be properly analyzed.

The Board therefore denies the RM's 2017 and 2018 actual operating deficit applications and the 2019 and 2020 forecasted operating deficit applications. The Board directs the RM to submit revised Deficit Applications for the 2017 and 2018 actual operating deficits, including a revised recovery methodology. The Board also directs the RM to submit revised 2019 and 2020 Deficit Applications if and when they materialize.

The Board strongly recommends the RM complete and submit its 2019 Audited Financial Statements as soon as possible. If a sufficient working capital surplus can be evidenced in the 2019 Audited Financial Statements, the Board will reconsider the recovery of the 2017 and/or 2018 actual operating deficits at that time.

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

1. The revised wastewater rates for the Rural Municipality of Sifton, Oak Lake Wastewater Utility, BE AND ARE HEREBY VARIED in accordance with the attached Schedule A, effective April 1, 2021, January 1, 2022, and January 1, 2023.
2. The Shared Cost Allocation Methodology for the Rural Municipality of Sifton BE AND IS HEREBY APPROVED.
3. The Rural Municipality of Sifton 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 Rural Municipality of Sifton 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 Rural Municipality of Sifton review its wastewater rates for the Oak Lake 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, 2023.
6. The 2017 actual operating deficit of \$30,476, the 2018 actual operating deficit of \$35,557, the 2019 forecasted operating deficit of \$96,476, and the 2020 forecasted operating deficit of \$95,000 when calculated for regulatory purposes, incurred in the Rural Municipality of Sifton, Oak Lake Wastewater Utility, is HEREBY DENIED.
7. The Rural Municipality of Sifton submit revised 2017 and 2018 Deficit Applications to the Board, including a revised recovery methodology, for the Oak Lake Wastewater Utility by April 30, 2021.
8. The Rural Municipality submit a copy of the 2019 Audited Financial Statements to the Board as soon as they are available.

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 - \$650.00

THE PUBLIC UTILITIES BOARD

"Irene Hamilton, Q.C."  
Panel Chair

"Frederick Mykytyshyn"  
Assistant Associate Secretary

Certified a true copy of Order No. 31/21  
issued by The Public Utilities Board



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Assistant Associate Secretary

## SCHEDULE A

### RURAL MUNICIPALITY OF SIFTON OAK LAKE WASTEWATER UTILITY WASTEWATER UTILITY RATES BY-LAW NO. 07-2019

#### 1. Schedule of Quarterly Billing Rates

1 Schedule of Quarterly Billing Rates																	
Summary of Proposed Utility Charges versus Current Charges (1995)																	
	Proposed Year 1 (2021)				Proposed Year 2 (2022)				Proposed Year 3 (2023)				1995 (Current Rates)				
	REU	Total Commodity Charge	Service Charge	Total Charge	Total Commodity Charge	Service Charge	Total Charge	Total Commodity Charge	Service Charge	Total Charge	REU	Total Commodity Charge	Service Charge	Total Charge	\$ Change Yr 1	\$ Change Yr 2	\$ Change Yr 2
Residential/ 1REU	1.00	67.06	7.28	<b>74.34</b>	67.86	7.43	<b>75.29</b>	68.69	7.57	<b>76.26</b>	1.00	27.00	8.15	35.15	39.19	40.14	41.11
Churches	0.60	40.23	7.28	<b>47.51</b>	40.72	7.43	<b>48.14</b>	41.21	7.57	<b>48.79</b>	1.00	27.00	8.15	35.15	12.36	12.99	13.64
Public School FLB	8.00	536.44	7.28	<b>543.72</b>	542.90	7.43	<b>550.33</b>	549.49	7.57	<b>557.06</b>	14.00	378.00	8.15	386.15	157.57	164.18	170.91
RM PW Shop & Apt	4.00	268.22	7.28	<b>275.50</b>	271.45	7.43	<b>278.88</b>	274.74	7.57	<b>282.32</b>	2.00	54.00	8.15	62.15	213.35	216.73	220.17
OL Arena	4.50	301.75	7.28	<b>309.03</b>	305.38	7.43	<b>312.81</b>	309.09	7.57	<b>316.66</b>	2.00	54.00	8.15	62.15	246.88	250.66	254.51
OL Golf Club	1.00	67.06	7.28	<b>74.34</b>	67.86	7.43	<b>75.29</b>	68.69	7.57	<b>76.26</b>	2.00	54.00	8.15	62.15	12.19	13.14	14.11
OL MBH - Aspen	2.50	167.64	7.28	<b>174.92</b>	169.66	7.43	<b>177.08</b>	171.71	7.57	<b>179.29</b>	2.80	75.60	8.15	83.75	91.17	93.33	95.54
OL MBH - Oakwood	11.00	737.61	7.28	<b>744.89</b>	746.49	7.43	<b>753.91</b>	755.55	7.57	<b>763.12</b>	12.00	324.00	8.15	332.15	412.74	421.76	430.97
Town Hall/RM Office	3.00	201.17	7.28	<b>208.45</b>	203.59	7.43	<b>211.01</b>	206.06	7.57	<b>213.63</b>	3.00	81.00	8.15	89.15	119.30	121.86	124.48
Legion	1.00	67.06	7.28	<b>74.34</b>	67.86	7.43	<b>75.29</b>	68.69	7.57	<b>76.26</b>	2.00	54.00	8.15	62.15	12.19	13.14	14.11
VV Coop/Flett Shop	1.00	67.06	7.28	<b>74.34</b>	67.86	7.43	<b>75.29</b>	68.69	7.57	<b>76.26</b>	1.50	40.50	8.15	48.65	25.69	26.64	27.61
VV Coop (new)	2.00	134.11	7.28	<b>141.39</b>	135.73	7.43	<b>143.15</b>	137.37	7.57	<b>144.95</b>							
Canada Post & Apt	2.00	134.11	7.28	<b>141.39</b>	135.73	7.43	<b>143.15</b>	137.37	7.57	<b>144.95</b>							
OL Curling Club	0.60	40.23	7.28	<b>47.51</b>	40.72	7.43	<b>48.14</b>	41.21	7.57	<b>48.79</b>							
WD Plant	2.00	134.11	7.28	<b>141.39</b>	135.73	7.43	<b>143.15</b>	137.37	7.57	<b>144.95</b>							
OLS FDw911	2.50	167.64	7.28	<b>174.92</b>	169.66	7.43	<b>177.08</b>	171.71	7.57	<b>179.29</b>							
OL&D Museum	0.60	40.23	7.28	<b>47.51</b>	40.72	7.43	<b>48.14</b>	41.21	7.57	<b>48.79</b>							
OL Community Hall	5.50	368.80	7.28	<b>376.08</b>	373.24	7.43	<b>380.67</b>	377.77	7.57	<b>385.35</b>							
OL Hair Design											1.50	40.50	8.15	48.65			
Restaurant&Grocery											3.50	94.50	8.15	102.65			
OL Meat Market											1.50	40.50	8.15	48.65			
Oakland Hotel											6.00	162.00	8.15	170.15			
	Year 1				Year 2			Year 3			1995						
# Customers	206.00				206.00			206.00			186.00						
Total REUs	240.00				240.00			240.00			226.80						
Svc Chrg/Cust	7.28				7.43			7.57			8.15						
Comm Chrg/REU	67.06				67.86			68.69			27.00						

**2. Sale of Wastewater Treatment Lagoon Services**

Lagoon tipping fees of \$50.00 per truck load for use of the RMS lagoon.

**3. Sale of Wastewater Services to Customers Outside of Urban Centre of Oak Lake Limits**

Provision of sewer services are available with Council approval. All installation costs are the responsibility of the consumer including all materials and service required for connection to main wastewater network. The RM Sifton must certify connection all connections are installed to code and other requirements as needed.

**4. Administration Fee**

A consumer who has not paid his/her bill by December 1st of each year will be charged and administration fee of \$10.00 to cover the costs of adding outstanding accounts to the tax roll.

**5. Billing Period, Due Date and Penalties**

Quarterly billing is being done on the first of the months of January, April, July, and October billed in advance. It is recommended this remain as is. Bills are due 30 days after billing date and late payment charges of 1.25% shall be charged to outstanding amounts beginning the following month and shall be applied monthly until dues are paid in full.

**6. Wastewater Surcharges**

All sewage is considered “domestic sewage” and no surcharges shall be charged for “extra strength” sewage.

**7. Connection and Reconnection Charges**

The installation of a new curb-stop by the RM from main sewer line will be charged a basic flat rate of \$3,000.00 per connection. Any new connection or reconnection of a new building to an existing curb-stop generally does not require any RM staff or expenditures so a basic administration charge of \$100.00 will be charged.

**8. Disconnection and Outstanding Utility Charges**

Any outstanding utility charges to be pursued as per Section 252(2) of *The Municipal Act* as a lien and charge upon that land and not applied to the Tax Roll. For sewage haulers, access will be denied if bills are not paid.