

**Order No. 55/21**

**RURAL MUNICIPALITY OF ST. ANDREWS  
ST ANDREWS SOUTH WASTEWATER UTILITY  
INITIAL INTERIM WASTEWATER RATES**

---

**May 12, 2021**

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

Table of Contents

<b>1.0</b>	<b>Executive Summary .....</b>	<b>3</b>
<b>2.0</b>	<b>Background .....</b>	<b>4</b>
	Wastewater Collection and Treatment.....	4
<b>3.0</b>	<b>Board Methodology.....</b>	<b>6</b>
	Review Process .....	6
	Interim <i>ex parte</i> Approval.....	6
	Contingency Allowance and Utility Reserves.....	6
	Precedent .....	7
	Working Capital .....	7
	Operating Deficits .....	7
	Cost Allocation Methodology .....	7
	Guidelines.....	7
<b>4.0</b>	<b>Application.....</b>	<b>8</b>
	Contingency Allowance and Utility Reserves.....	10
	Cost Allocation Methodology .....	10
	Public Hearing .....	11
<b>5.0</b>	<b>Board Findings .....</b>	<b>13</b>
<b>6.0</b>	<b>IT IS THEREFORE ORDERED THAT: .....</b>	<b>16</b>

## 1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) approves the Rural Municipality of St. Andrews (RM), South St. Andrews Wastewater Utility's (Utility) application for initial interim wastewater rates.

The initial rates are below:

	2021	2022	2023
Quarterly Service Charge	\$ 80.82	\$ 80.82	\$ 80.82
Wastewater (per cubic meter)	\$ 3.57	\$ 3.57	\$ 3.57
Minimum Quarterly Charge*	\$ 130.80	\$ 130.80	\$ 130.80
Utilities buy-In Charge	\$ 2,680.00	\$ 3,000.00	\$ 3,100.00
Meter Testing (5/8" or 3/4")	\$ 100.00	\$ 100.00	\$ 100.00
Meter Testing (1" and larger)	\$ 225.00	\$ 225.00	\$ 225.00
Minimum Meter Tampering	\$ 500.00	\$ 500.00	\$ 500.00

\*based on 14m<sup>3</sup>

Details of other rates can be found in Schedule A.

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

## 2.0 Background

The RM has been planning the development of the Utility since 2009 when \$8 million in funding from the Building Canada Fund was confirmed. In 2010 the RM, City of Winnipeg (CoW) and the RM of West St. Paul (WSP) began developing a cooperative plan. The RM hired the Water Services Board (MWSB) to manage Phase 1; from 2015 to 2017 open houses and public hearings were held, tenders awarded and construction began. In 2019, the RM considered sending wastewater to Selkirk instead of CoW and subsequently decided to continue with the CoW plan after engineers findings and conversations with provincial officials suggested this would be the more affordable option. Construction on the collection system was completed in 2020.

There were four public hearings held prior to construction of the system. Phase 1 borrowing was reviewed by the RM Council in March 2016 and the Municipal Board in the fall of 2016. Phase 2 borrowing was reviewed by the RM Council in May 2017 and the Municipal Board in November 2017.

### **Wastewater Collection and Treatment**

The South St. Andrews Wastewater Utility will provide wastewater collection services to St. Andrews residents with wastewater treatment being provided by the City of Winnipeg at the North End Water Pollution Control Centre. As a condition of providing wastewater treatment services, the RM requires that all Utility customers install water meters on their wells.

The City of Winnipeg and RM of St. Andrews signed a Memorandum of Understanding dated October 14, 2014 indicating their intent to enter into a municipal service-sharing agreement to enable the City to provide wastewater treatment services to the RM.

South St. Andrews Wastewater Utility is a low pressure wastewater system serving approximately 1,800 parcels of land in St. Andrews. The low pressure wastewater lines discharge into two lift stations that flow wastewater into a gravity wastewater main in West

St. Paul. The gravity main in West St. Paul is jointly owned by the RMs of West St. Paul and St. Andrews.

Property owners must pay a one-time “Utilities Buy-In Charge” to the RM of St. Andrews on connection to the wastewater system. The RM is recovering the Buy-In Charge payable to the City of Winnipeg without any adjustment. The Buy-In Charge is \$2,680 in 2021, \$3,000 in 2022 and \$3,100 in 2023. The RM advises these are one-time rates set by the CoW and apply to any new connections to the CoW Utility.

The South St. Andrews Wastewater Utility is located within *the Manitoba Conservation Red River Corridor Designated Area*, established in 2009 by Provincial Regulation. This Regulation prohibits the replacement or modification of existing septic fields or construction of new septic fields in the Corridor.

The RM has not mandated any requirement to connect to the wastewater system and connection requirements are governed by Provincial law. Newly constructed residences must be connected to the wastewater system and existing residences that are sold must also connect.

Current Provincial legislation allows property owners up to 5 years to connect to the wastewater system under the Onsite Wastewater Management System Regulation of *The Environment Act* of Manitoba which states in part as follows:

“Requirement to connect to new wastewater collection system

8.1(1) If a wastewater collection system is installed in an area not previously serviced by a wastewater collection system, an owner of land in that area must

(a) connect his or her wastewater sources to the wastewater collection system;  
and

(b) take any onsite wastewater management system or privy located on the land out of service and decommission it;

before the earlier of

(c) the passing of a period of five years from the day that the wastewater collection system was installed; or

(d) the transfer or subdivision of the land.”

### **3.0 Board Methodology**

#### **Review Process**

When reviewing an application, the Board has at its disposal two approaches, a paper review process or a public hearing. After the publication of the Notice of Application, the Board considers the application and responses, if any, and determines which method of review is most appropriate. Whenever reasonable, the Board can review the application using a paper review process, which saves the cost of a public hearing.

Where there is an urgent need for initial or revised rates and the Board determines it to be in the best interest of all parties, the Board may establish interim *ex parte* rates.

#### **Interim *ex parte* Approval**

Interim *ex parte* rates are typically approved as applied for and are then subject to a standard Board review process, including a Public Notice of Application, before being confirmed as final by Board Order.

Since this process allows a municipality to charge ratepayers revised rates in advance of the Board’s comprehensive review, it is reserved for instances where a municipality can show a compelling argument to allow it.

#### **Contingency Allowance and Utility Reserves**

The Board’s Water and Wastewater Rate Application Guidelines recommend an annual contingency allowance equal to 10% of the variable operating costs.

## **Precedent**

The Board is not bound by decisions made in previous applications; however the Board does attempt to make consistent decisions, as fairness requires that similar cases be decided alike.

## **Working Capital**

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.

## **Operating 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. The Board is therefore duty bound to approve reasonable rates based on reasonable expense projections.

## **Cost Allocation Methodology**

The Board requires all municipalities to review the costs shared between the general operations of the municipality 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.

## **Guidelines**

The Board provides a set of guidelines for use by utilities in preparing rate applications on its website. On the topic of new water systems, which would apply equally to a new

wastewater system, the Guidelines recommend applying for utility rates as soon as possible, preferably before providing services to customers.

#### 4.0 Application

In May 2020, the Board received an electronic copy of a rate study from the RM's consultant. This rate study assumed 600 connections in year one of operation and proposed a wastewater rate of \$5.91 per cubic meter. The Board followed up with the RM, requesting a utility by-law in support of the rate study and on May 28, 2020, the Board was advised Council had chosen to review the rate study further before continuing with the application, due to community concerns surrounding the initial wastewater rate.

Council announced to the community that it had withdrawn the application and would be undertaking additional public engagement to review alternatives. A survey of affected residents was conducted by Probe Research and Blueprint Inc. between June 20 and August 4, 2020. The survey was completed by 655 residents, or 30% of properties impacted.

The RM decided to apply to the Municipal Board for approval of a Special Services Levy (SSL) of \$100 per year, collected from eligible properties that had not yet connected to the collection system, to offset the cost of operating the Utility while waiting for all eligible properties to connect.

In December 2020, the Board received an application accompanied by a rate study completed by the RM's consultant and By-law 4350, read for the first time on December 8, 2020. The application requested the Board approve initial utility wastewater rates on an interim *ex parte* basis.

The RM's application to the Board included \$130,000 in offsetting revenue from the SSL, which is pending approval from the Municipal Board as of the date of this Order.

The Board issued a Public Notice of Application on February 17, 2021 affording customers the opportunity to comment to both the Board and the RM with respect to the



proposed rate changes. The Board received approximately 45 responses to the Notice of Application.

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.

In this case, the Board elected to hold a public hearing, given the significant public response. A Notice of Public Hearing was issued on March 25, 2021 and a public hearing was held on April 26, 2021 at the Board offices in Winnipeg. The hearing was held with a combination of in-person and virtual attendees, and a more detailed description of the hearing is found on page 11 of this Order.

The rates were calculated using the following revenue requirement projections:

<b>St. Andrew s Wastewater Costs</b>	
Low pressure sewer line repair and maintenance	5,000
Lift station: Selkirk staffing contract	103,480
Water well operation	832
Lift station: odour control system	5,200
Lift station: corrosion control system	39,520
Emergency generators	5,200
Water meter installation & curb stops	1,040
Wastewater effluent testing	10,400
Lift station: grounds maintenance	2,600
Preparation of annual report for City of Winnipeg	1,560
Water meter reading	1,560
Remote monitoring of Flygt SCADA system	1,040
Amortization expense	573,924
Interest on long term debt	286,558
Contingency allowance	17,743
City of Winnipeg Treatment - 2022 rate \$2.91 per cubic meter	210,975
<b>Total expenses wastewater</b>	<b>1,266,632</b>
Amortization of capital grants	(286,844)
Debenture debt payments (taxation revenue)	(590,671)
Special Services Levy revenue	(130,000)
<b>Total revenue requirement</b>	<b>259,117</b>

### Contingency Allowance and Utility Reserves

The RM has included in the projections a contingency allowance of 10% of net rate requirements, less CoW wastewater treatment costs, amortization and interest expenses. This equates to \$17,743 per year. There is no provision for transfer to Utility Reserve proposed.

### Cost Allocation Methodology

The RM has proposed the cost allocation for administration costs initially be based on \$30 per customer, and as the Utility grows, the cost allocation methodology be reviewed. In addition to the \$30 per customer, the RM's proposal includes insurance costs and is

reduced by projected penalty revenues. This results in a quarterly charge of \$9.70 per customer, plus the City of Winnipeg participation fee, which is \$71.12 per quarter, per customer, which results in a quarterly charge of \$80.82.

## Public Hearing

The Public Hearing took place on April 26, 2021, in accordance with the Notice of Hearing.

Due to COVID-19 meeting restrictions and Public Health Orders, the Board determined it best to proceed by way of a virtual hearing. The Board Hearing Room is equipped with technology allowing the Board to livestream its proceedings over the internet from the Board's website. The RM was represented in-person by the Chief Administrative Officer (CAO), its consultant and two members of Council. At least two other members of Council and the Utility Manager attended virtually. The Notice invited ratepayers and interested parties to watch the proceedings and the Board facilitated a virtual question and answer process through the website. Registered presenters and representatives of the RM were given access to a virtual meeting room in Microsoft Teams and presenters were given a ten-minute window to make their presentations. The Board heard from five presenters and the livestream was well attended, with between 80 and 100 viewers online throughout the hearing.

The RM made three presentations; the CAO presented in-person on the background of the Utility, the Utility Manager presented virtually on the collection system and the RM's consultant presented in-person on the rate study and application. The consultant's presentation included an update to the application, reducing the proposed wastewater rate from \$4.23 to \$3.57 per cubic meter. This was a result of the interest rate for local improvement charges, which was estimated as 4.5%, being finalized at 3.375% and the resulting decrease in interest expense. It also resulted from capital costs, which were estimated at \$35,622,124, being finalized at \$34,254,138, which reduced amortization expense. The consultant advised the Board these figures had only become final in the days leading up to the hearing.

The RM advised that 18 customers had been connected to the system since April 1, 2021, due to significant issues such as failing septic systems. The RM requested the Board consider a retroactive rate approval to allow for billing those users, and advised it had made those customers aware of its intention to request an April 1, 2021 effective date for the wastewater rates.

The RM also informed the Board and public that the rate study erroneously stated the requirement for a meter stemmed from the CoW; rather the RM had initiated the requirement.

Some of the issues raised by public participants:

- The RM requiring the installation of water meters on private wells
- Concerns about being charged on volumes that include water not being returned to sewer, i.e. watering grass, washing cars, etc.
- The Utility Buy-In Charge
- The Board setting rates prior to the RM signing agreements with CoW and WSP
- The Board setting rates prior to the Municipal Board deciding on the SSL
- The RM connecting customers to the system prior to having signed agreements or utility rates approved by the Board
- The CoW charging the RM the same rate for low pressure (grey water only) as customers receiving gravity fed services (grey and black water service)
- The CoW subsidizing its operations through charges to the RM
- Revenue requirements including interest on long term debt expense and the amortization of capital grants not including funding provided through the Gas Tax Reserve Fund

## 5.0 Board Findings

The Board considered the RM's request for interim *ex parte* approval of initial rates, found insufficient evidence of a need so urgent as to bypass the Board's Notice process. The Board did expedite the filing and immediately issued a Notice of Application. The application underwent a standard review; this Order is the result of that review. Having considered the RM's filing and reviewed the responses to the Notice of Application, the Board chose a public hearing process.

The Board grants approval for the initial rates as proposed by the RM, on an interim basis to be effective April 1, 2021. The Board has reviewed the application and revenue projections presented by the RM and finds the projections to be reasonable. The Board makes this interim rate decision due to the need for initial rates for the new utility. Though the Board is generally not a proponent of retroactive rates, the RM confirmed that the small number of ratepayers connected to the system were made aware the rates would be set at a future date and would be retroactive to the date of their hook-up. The Board is persuaded connecting these customers was the environmentally prudent approach to dealing with failing septic systems.

Given that the South St. Andrews Wastewater Utility is located within *the Manitoba Conservation Red River Corridor Designated Area*, the RM's options moving forward were limited. The RM needed to address failing septic systems within the parameters of the legislation, and doing nothing was not an option. This is not an issue exclusive to the RM of St. Andrews, and the Board is persuaded the RM has worked diligently to find solutions and has sought consultation with the community.

The Board grants approval of the RM's proposed Cost Allocation Methodology, and will direct the RM to submit a revised methodology on or before March 31, 2026.

The Municipal Act grants the RM the jurisdiction over equipment, such as water meters. It is within the RM's power to require utility customers to install a meter. The use of meters represents the best practice for all utilities, and the Board has long been a proponent of

the user-pay principle, supported by the use of meters. The inclusion of water not returned to sewer in billing volumes is a common practice in all metered wastewater systems. The RM presented evidence in the Public Hearing demonstrating its rationale for using water meters rather than wastewater meters, including the cost, installation challenges and inclusion of solids which are not passing through the low pressure system.

The Board commends the RM for contracting with the City of Selkirk to perform daily routine maintenance requirements and emergency callout alarms, while also establishing a succession plan with current employees of the RM to arrange for training and certification to become wastewater collection operators.

The Board grants approval of the Utilities Buy-In Charges as applied for, as the cost to the RM is identical to the charge proposed. The issue of the fairness of the CoW's charges was raised by the public; however, the CoW is not regulated by the Public Utilities Board, therefore the Board has no oversight on the rates or fees charged by the CoW. The RM's charge is just and reasonable based on the cost to the RM.

The Board guidelines recommend municipalities approach the Board once rates can be reasonably estimated, preferably before services begin. The Board is satisfied the RM is working diligently towards having all agreements signed. The Board finds the RM has acted appropriately in applying to the Board for initial interim rates at this time, despite not having the agreements finalized and waiting for the Municipal Board to decide the SSL application.

The Board accepts the inclusion of proposed SSL revenue for estimating purposes, and will require the RM to provide an update to the application when the Municipal Board issues its decision. Should the Municipal Board deny the application, the RM will file an application with the Board with its proposed resolution to the resulting increase in revenue requirement. The Board's decision on initial interim wastewater rates is in no way dependent on the Municipal Board deciding the SSL application.

The issues of revenue requirements including interest on long-term debt expense and the amortization of capital grants not including funding provided through the Gas Tax Reserve Fund were raised. The inclusion of interest on long-term debt expense is based on Public Sector Accounting Board (PSAB) standards and is appropriately included. Board Order No. 93/09 established the Board's requirement "that amortization expense be offset in the reflection of rates by the amortization of related capital grants." This accounting treatment is also extended to donated capital assets. The Board did not include any reserves, including the Gas Tax Reserve Fund, in this ruling and therefore the Gas Tax Reserve Funds used in to fund capital projects should not be offsetting the amortization expense as was suggested.

The Board notes the Utility's rates are calculated recognizing taxation revenue of \$590,000 per year for utility debenture debt. Upon maturity after 20 years, the revenue will cease, resulting in an increase in required utility rate revenue. The Board recommends the Utility monitor this closely and consider applying for gradual rate increases to mitigate rate shock when the utility debenture debt matures. Ideally, this should be done in each of the five years prior to the maturity date of the debenture, details of which can be found in the Notes to the Audited Financial Statements. If the RM requires support in developing a plan to deal with the maturing utility debenture debt, Board staff are available to provide assistance.

The Board will direct the RM to review the financial position of the Utility no later than September 30, 2022 and submit a full rate study and application to the Board at that time, with a historical basis for the Utility. The Board recommends the RM work closely with its auditors to ensure that audited financial statements are prepared in a timely fashion to facilitate the review of the initial interim rates for adequacy and mitigate the risk of an operating deficit.

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.

## **6.0 IT IS THEREFORE ORDERED THAT:**

1. The initial interim wastewater rates for the Rural Municipality of St. Andrews – South St. Andrews Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule A, effective April 1, 2021.
2. The Cost Allocation Methodology for shared services as submitted by the Rural Municipality of St. Andrews – South St. Andrews Wastewater Utility BE AND IS HEREBY APPROVED.
3. The Rural Municipality of St. Andrews amend its Utility 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 Rural Municipality of St. Andrews file an application for revised wastewater rates with the Public Utilities Board on or before September 30, 2022.
5. The Rural Municipality of St. Andrews file an application for revised Cost Allocation Methodology with the Public Utilities Board on or before March 31, 2026.

Fees payable upon this Order - \$1,500.00



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

THE PUBLIC UTILITIES BOARD


"Shawn McCutcheon"

Panel Chair

"Jennifer Dubois, CPA, CMA"

Assistant Associate Secretary

Certified a true copy of Order No. 55/21  
issued by The Public Utilities Board



Assistant Associate Secretary

**RURAL MUNICIPALITY OF ST. ANDREWS  
SOUTH ST. ANDREWS WASTEWATER UTILITY  
SCHEDULE "A" TO WASTEWATER UTILITY RATES BY-LAW NO. 4350  
SCHEDULE OF QUARTERLY RATES**

1. Schedule of Commodity Rates & Quarterly Service Charge

Wastewater Rate per Cubic Meter	\$3.57
Quarterly Customer Service Charge	\$80.82

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) **Wastewater Customers**

<u>Meter Size</u>	<u>Wastewater Included C.M.</u>	<u>Customer Service Charge</u>	<u>Wastewater Commodity Charge</u>	<u>Wastewater Total Quarterly Minimum</u>
5/8 inch	14	\$80.82	\$49.98	\$130.80
3/4 inch	28	\$80.82	\$99.96	\$180.78
1 inch	56	\$80.82	\$199.92	\$280.74
1 ½ inch	140	\$80.82	\$499.80	\$580.62
2 inch	350	\$80.82	\$1,249.50	\$1,330.32
3 inch	630	\$80.82	\$2,249.10	\$2,329.92
4 inch	1,260	\$80.82	\$4,498.20	\$4,579.02

3. 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.

4. 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.

5. Liability for Charges

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

6. Service To Customers Outside Utility's Limits

The Council of Rural Municipality of St. Andrews may sign Agreements with customers for the provision of Wastewater services to properties located outside the legal boundaries of the South St. Andrews Wastewater 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 local improvement 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 Utility's boundaries. In addition, all costs of connecting to the Utility's mains, and installing and maintaining service connections and any charges due and payable to the City of Winnipeg, will be paid by the customer.

7. 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.

8. Meter Testing

That in any case where a utility customer requests that a meter be tested for accuracy, the customer will provide the Municipality with a deposit of \$100 for 5/8" or 3/4" meters and \$225 for meters 1" and larger. The Municipality will then remove the subject meter and send it to an independent lab for testing. If the meter is found to be recording water flows more than 3% in excess of actual flows, all costs associated with the

testing process will be borne by the Municipality and the deposit will be refunded to the customer and the customer's account will be adjusted for the preceding six (6) months.

9. Water Meters

Water meters are owned by the Municipality but are the responsibility of the utility customer to maintain. If the water meter is broken, frozen, etc., the utility customer will be billed for a new meter at the current cost of replacement.

10. Utilities Buy-In Charge – City of Winnipeg

Every property connecting to the South St. Andrews Wastewater Utility shall pay a Utilities Buy-In Charge to the Rural Municipality of St. Andrews in accordance with the Service Sharing Agreement between the City of Winnipeg and the Rural Municipality of St. Andrews.