

**Order No. 99/21**

**MUNICIPALITY OF WESTLAKE-GLADSTONE  
YELLOWHEAD REGIONAL UTILITY  
REVISED WATER RATES  
SIMPLIFIED RATE APPLICATION**

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**September 16, 2021**

**BEFORE: Shawn McCutcheon, Panel Chair  
Carol Hainsworth, C.B.A., Panel Member**

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## 1.0 Executive Summary

By this Order, the Public Utilities Board grants approval of revised water rates effective December 1, 2021, for the Yellowhead Regional Water Utility (Utility) in the Municipality of Westlake-Gladstone (Municipality). The approved rates are shown below:

	December 1, 2021
Quarterly Service Charge	\$ 15.96
Water (per cubic meter)	2.77
Minimum Quarterly Charge*	54.74
Bulk Water Sales (per cubic meter)	3.09

\*Based on 14 cubic meters

The Board also directs the Municipality to file a full rate application for revised rates on or before June 30, 2022.

Details of the rates may be found in the attached Schedule A.

The rationale for the Board's decisions may be found under the Board Findings section below.

## 2.0 Background

The Municipality of Westlake-Gladstone operates the Yellowhead Regional Utility, a water only utility formerly operated by the Rural Municipality of Westbourne (RM), until the RM amalgamated and formed the Municipality in 2015.

Rates were last set in Board Order No. 31/18, with current rates coming into effect December 1, 2018. At the time of that application, the Municipality advised the Utility provided service to 177 metered water customers and was experiencing 10% unaccounted for water. The Municipality has not advised the Board of any material changes to the operations of the Utility.

### 3.0 Application

On February 24, 2021, the Municipality applied to the Board for revised water rates for the Utility. The Application was submitted using the Simplified Rate Application Process and accompanied by By-Law No. 2021-02 having received first reading on February 16, 2021. The Municipality provided an Affidavit certifying: the Utility meets all Board requirements for the Simplified Filing Process; the Utility has no outstanding operating deficits; and the requested water rates are expected to be adequate to meet operating costs for the year.

Rates were last set using the regular Rate Application Process/review in Board Order No. 31/18, with the current rates coming into effect December 1, 2018.

The application was immediately reviewed by Board staff and the Municipality was contacted on February 25, 2021 to advise two of the documents required to process the application were not included in the submission.

The Municipality was also advised at that time Simplified Process Criteria #2 from Board Order No. 86/17 was not met. The Board Order states, "The utility must not be experiencing an operating deficit which is the lower of \$10,000 or 5% of operating expenses, when calculated for regulatory purposes." The Municipality's audited financial statements reported the Utility experienced operating deficits in 2017, 2018 and 2019. The 2018 deficit was under the \$10,000 threshold and did not require Board approval.

Board staff advised the Municipality that if deficit applications were filed immediately, the application for Simplified Filing would be put on hold and processed once the deficit applications were reviewed and the Board granted approval.

On March 22, 2021, the Municipality filed deficit applications for 2017 and 2019. On April 20, 2021 Board staff contacted the Municipality regarding discrepancies on the deficit applications and the submitted PUB Schedule 9, which is used to calculate the amount of the deficit for regulatory purposes. The Municipality submitted revised deficit applications

on May 4, 2021. On June 10, 2021 the Board granted approval for the 2017 and 2019 deficits on Board Order No. 63/21.

A Public Notice of Application was issued on June 22, 2021, affording customers the opportunity to comment to both the Board and the Municipality with respect to the proposed rate increases. No responses were received.

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 Municipality has applied for revised rates to provide for inflationary cost increases anticipated for future operations of the Utility.

## Working Capital Surplus

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 is defined as the Utility fund balance, excluding any capital-related items plus Utility reserves.

As per the 2019 Audited Financial Statements, the working capital surplus at December 31, 2019:

	2019
Accumulated Fund Surplus/Deficit	<b>\$4,842,429</b>
Deduct tangible capital assets	<b>\$5,760,116</b>
Add long term debt	<b>\$861,855</b>
Add Yellowhead Regional Water Reserve	<b>\$313,446</b>
Add Yellowhead Utility Reserve	<b>\$304,066</b>
<b>Equals Working Capital Surplus/Deficit</b>	<b>\$248,234</b>
Operating costs	<b>\$394,997</b>
<b>20% of operating costs (target)</b>	<b>\$78,999</b>

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

## 4.0 Board Findings

The Board grants approval for the rates as applied for, effective December 1, 2021.

The Board notes the Municipality's 2020 audited financial statements are still not available. Once the Municipality has these statements, it should immediately apply for Board approval if an operating deficit was experienced.

Board Order 86/17 states, "The responsibility for determining whether or not a utility meets the designated criteria lies with the applicant utility. If a utility that clearly does not meet the designated criteria attempts to submit an application using the Simplified Process, the Board will deny the application, and charge a processing fee of \$500.00."

The Order further states,

"The Board's objectives in introducing a Simplified Process are:

1. Allow utilities to keep up with rising operating costs using minimal resources;
2. Provide an incentive for municipalities to remain compliant and current;
3. Introduce smaller rate increases on a regular basis, which is generally preferred by ratepayers;
4. Decrease the backlog of rate and deficit applications with the PUB; and
5. Allow the PUB to focus its resources on the utilities that require the most assistance.

The Board's implementation of the Simplified Process is not intended to allow non-compliant utilities an opportunity to circumvent the processes involved in applying for revised rates. If a utility has any questions or concerns about whether or not it meets the designated criteria, the Board encourages the municipality to consult with Board staff prior to applying using the Simplified Process."

Based on the specific criteria outlined in Board Order No. 86/17, the Municipality should not have filed the application using the Simplified Process. This process is intended to allow utilities that are performing adequately to maintain a level of income that meets the

costs of operating the utility. In the case of the Yellowhead Regional Utility, the Utility has experienced operating deficits even after its last full rate study, indicating the rates are inadequate beyond the 3% inflationary type increase allowed by the Simplified Filing Process. For this reason, the Board will direct the Municipality of Westlake-Gladstone to review its water rates for the Utility for adequacy and file a full rate study, by no later than June 30, 2022. The Utility will not be eligible for the Simplified Filing process at that time.

In future, should the Municipality, for this Utility or any other it operates, submit an ineligible rate application using the Simplified Filing Process, the Board may deny the application and charge a \$500 processing fee, as outlined by Board Order.

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

1. Revised water rates for the Municipality of Westlake-Gladstone, Yellowhead Regional Water Utility BE AND ARE HEREBY APPROVED in accordance with the attached Schedule A, effective December 1, 2021.
2. The Municipality of Westlake-Gladstone amend its water rate By-Law to reflect the decisions in this Board Order and submit a copy to the Board once it has received third and final reading.
3. The Municipality of Westlake-Gladstone is to provide notice to its customers as soon as possible, including all decisions found in this Order.
4. The Municipality of Westlake-Gladstone review water rates in the Yellowhead Regional Water Utility and submit a full rate study with the Public Utilities Board by no later than June 30, 2022.

Fees payable upon this Order - \$350.00



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 M<sup>c</sup>Cutcheon"

Panel Chair

"Jennifer Dubois, CPA, CMA"

Assistant Associate Secretary

Certified a true copy of Order No. 99/21 issued by  
The Public Utilities Board



Assistant Associate Secretary

**Municipality of Westlake-Gladstone**  
Yellowhead Regional Utility Line  
By-law No. 2021-02  
**SCHEDULE "A"**

**SCHEDULE OF QUARTERLY RATES:**  
Effective December 1, 2021

**1) Rates per Cubic Meter**

<u>Water</u>	<u>Quarterly Service Charge</u>
\$2.77	\$15.96

**1) Water Customers**

Meter Size	Water Included In C.M.	Customer Service Charge	Water Commodity Charge	Minimum Quarterly Utility Charge
5/8 inch	14	\$15.96	\$38.78	\$54.74
3/4 inch	28	\$15.96	\$77.56	\$93.52
1 inch	56	\$15.96	\$155.12	\$171.08
1.5 inch	140	\$15.96	\$387.80	\$403.76
2 inch	350	\$15.96	\$969.50	\$985.46

**2) Bulk Water Sales**

All water sold in bulk will be charged at the rate of \$3.09 per cubic meter.

**4) Additional Charges**

Section 3 Part iii)	Reconnection fee - \$50.00
Section 4 Part iii)	Annual hydrant charge for each hydrant - \$75.00
Section 4 Part iv)	Deposit for meter testing - \$100.00
Section 4 Part v)	Meter reversal fee - \$25
Section 6 Part iii) c)	Guilty of an offense - \$500