

**Order No. 11/22**

**GRANDVIEW MUNICIPALITY  
SUGARLOAF WATER UTILITY  
REQUEST FOR REVISED RATES**

---

**January 26, 2022**

**BEFORE: Irene A. Hamilton, Q.C., Panel Chair  
Mike Watson, Panel Member**

## Table of Contents

|     |   |    |
|-----|---|----|
| 1.0 | Executive Summary.....                          | 3  |
| 2.0 | Background .....                                | 3  |
|     | Water Supply/Distribution .....                 | 3  |
|     | Unaccounted for Water .....                     | 4  |
| 3.0 | Application.....                                | 4  |
|     | Contingency Allowance and Utility Reserves..... | 6  |
|     | Working Capital Surplus/Deficit .....           | 7  |
|     | Cost Allocation Methodology .....               | 7  |
| 4.0 | Board Findings .....                            | 9  |
| 5.0 | IT IS HEREBY ORDERED THAT:.....                 | 10 |
|     | SCHEDULE A.....                                 | 12 |

## 1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves the revised water rates for Grandview Municipality (Municipality), Sugarloaf Water Utility (Utility). The Board varies the effective dates to April 1, 2022, January 1, 2023, and January 1, 2024.

The Board approves water rates for the Utility as follows:

|                           | Current Rates | Effective April 1, 2022 | Effective January 1, 2023 | Effective January 1, 2024 |
|---------------------------|---------------|-------------------------|---------------------------|---------------------------|
| Quarterly Service Charge  | \$36.80       | \$34.78                 | \$32.76                   | \$30.73                   |
| Water (per 1,000 gallons) | \$11.07       | \$12.48                 | \$13.89                   | \$15.31                   |
| Minimum Quarterly Charge* | \$70.01       | \$72.22                 | \$74.43                   | \$76.66                   |

\*Based on 3,000 gallons

Rationale for the Board's decisions may be found under the heading Board Findings below.

## 2.0 Background

The Municipality owns and operates the Utility serving 175 customers. Rates were last approved for the Utility in Board Order No. 135/18 on October 2, 2018.

Board Order No. 119/18 approved actual operating deficits of \$60,580 for 2013, \$29,760 for 2014, \$54,736 for 2015, and \$54,840 for 2016 (or total four-year deficit of \$199,916) to be recovered from the Utility's accumulated surplus.

### Water Supply/Distribution

The majority of water usage is for residential purposes, however significant volumes of water are used for agricultural for livestock and crop spraying. The system infrastructure was completed in four phases. Phase one and phase two were completed between 1996 and 1997 and included the construction of the water treatment plant, drilling of the well, and installation of the first water mains. Phase three was completed between 1998 and 2000 and phase four was completed in 2003. Both phases three and four expanded the distribution system.

The existing water main system is made up of high density polyethylene (HDPE) DR 17 piping. Overall, the water system infrastructure is well maintained and in good condition.

Groundwater is pumped to the plant where potassium permanganate is injected in the raw water before it is filtered with two manganese greensand filters. After filtration, the water is chlorinated and then stored for distribution.

### **Unaccounted for Water**

The acceptable percentage of unaccounted for water is 10%, based on industry standards. If the percentage is above this amount, the applicant is to explain why and provide a plan to remedy.

Unaccounted for water for the Utility was 25% in 2019. The Utility's rate study also notes a comparison of water volume produced from August 1, 2020 to December 31, 2020 and indicates water production for that time period was 5.0% lower in 2020 compared to 2019. If that correlation held for the entire year, the unaccounted for water would be 20%. The Municipality did not provide a plan to address the high levels of unaccounted for water.

### **3.0 Application**

On July 16, 2021, the Municipality applied for revised water rates for the Utility to provide for increasing costs for administration resulting from increased and water purification and treatment costs and budgeting oversights. The application was accompanied by a rate study prepared by the Municipality's consultant and By-Law No. 10-2021 having had first reading May 11, 2021 and Council Resolution No. 2021-157.

A Public Notice of Application was issued on July 23, 2021 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the Municipality before August 22, 2021. The Board did not receive any responses.

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.

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 Municipality'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<br/>Sugarloaf Water Utility<br/>2022 to 2024 Budget Forecasts (\$)</b> |                 |                |                |
|---|-----------------|----------------|----------------|
|   | <b>2022</b>     | <b>2023</b>    | <b>2024</b>    |
|   | <b>Forecast</b> |                |                |
| <b>General Expenses</b>   |                 |                |                |
| Administration  | 21,060          | 21,481         | 21,911         |
| Total General Expenses  | 21,060          | 21,481         | 21,911         |
| <b>Revenue</b>  |                 |                |                |
| Penalties   | 300             | 300            | 300            |
| Other Income  | 100             | 100            | 100            |
| Total General Revenues  | 400             | 400            | 400            |
| <b>Net Costs General</b>  | <b>20,660</b>   | <b>21,081</b>  | <b>21,511</b>  |
| <b>Water Expenses</b>   |                 |                |                |
| Purification and Treatment  | 80,937          | 82,556         | 84,207         |
| Transmission and Distribution   | 41,259          | 42,084         | 42,926         |
| Amortization  | 83,800          | 82,684         | 85,184         |
| Interest on Long-Term Debt  | -               | -              | -              |
| Reserves  | -               | -              | -              |
| Contingency   | 12,713          | 12,713         | 12,713         |
| Total Water Expenses  | 218,709         | 220,037        | 225,030        |
| <b>Revenue</b>  |                 |                |                |
| Amortization of Capital Grants  | 49,453          | 49,453         | 49,453         |
| Total Water Revenues  | 49,453          | 49,453         | 49,453         |
| <b>Net Costs Water</b>  | <b>169,256</b>  | <b>170,584</b> | <b>175,577</b> |
| <b>Net Operating Costs</b>  | <b>189,916</b>  | <b>191,665</b> | <b>197,088</b> |

### Contingency Allowance and Utility Reserves

As per the Board's Water and Wastewater 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 \$12,713. The Municipality has not included a transfer to the Utility reserve due to the Utility's large working capital surplus.

### 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 2019 Audited Financial Statements, the most recent information available, the working capital surplus at December 31, 2019 was:

|   | 2019             |
|---|------------------|
| Utility Fund Surplus/Deficit                    | \$2,376,156      |
| Deduct: Tangible Capital Assets                 | (2,380,789)      |
| Add: Long-Term Debt                             | -                |
| Add: Utility Reserves                           | 372,861          |
| <b>Equals Working Capital Surplus (Deficit)</b> | <b>\$368,228</b> |
|   |                  |
| Operating Expenses                              | 177,876          |
| <b>20% of Operating Expenses (Target)</b>       | <b>\$35,575</b>  |

The Utility meets the Board minimum target 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 allocation plan for shared costs is as follows:

| <b>Grandview Municipality<br/>Sugarloaf Water Utility<br/>Allocation Plan for Non-Direct Shared Services (see Note 1)<br/>as at April, 2021</b> |   |                                      |   |
|---|---|--------------------------------------|---|
| Category  | Sub-category  | Options                              |   |
| 1.0 Administrative Staff  |   |                                      | 3.0% of General Legislative expenses excluding Assessment and Grant expenses                    |
|   | 1.1 Billing services – meter reading to receipting and collection.          |                                      | Meter reading – N/A; receipting and collection are part of the admin staff allocation           |
|   | 1.2 Accounting/ auditing/ including bylaw making and enforcement.           |                                      | 3.0% of audit costs   |
|   | 1.3 Common office space   |                                      | 3.0% of office costs, utilities   |
|   | 1.4 Office overheads (telephone, photocopier, computer, etc.)               |                                      | 3.0% of printing, postage, and stationary   |
| 2.0 Operating, construction and maintenance costs   |   |                                      |   |
|   | 2.1 Vehicle – fuel, maintenance, lease costs, capital costs                 |                                      | There is no charge to the Utility for vehicle usage   |
|   | 2.2 Labor – full time, part time, on call, sick time, vacation (see Note 2) |                                      | Public Works staff time is allocated to the Utility based on time sheets and actual time worked |
|   | 2.3 Public works building and property.                                     |                                      | N/A   |
|   | 2.4 Road repairs and alike (see Note 3)                                     | Based on actual costs                | -   |
| 3.0 Major projects  |   |                                      |   |
|   | Interest/ financing   |                                      | N/A   |
|   | Labour  | Based on actual costs                | -   |
|   | External costs  | Direct charge (dedicated consulting) | -   |

Note 1 – Allocation must be updated periodically to reflect impacts of inflation.

Note 2 – Including salaries and benefits.

Note 3 – If a project involves work benefitting both the Utility and general operations the costs may be shared (i.e. If reconstructing a road and replacing services at the same time, a portion of the roadwork costs may be allocated to the Utility.)



## 4.0 Board Findings

The Board has reviewed the application and the projections for utility rates and finds them to be reasonable. The Board grants approval for the water rates as applied for by the Municipality, but varies the effective dates to April 1, 2022, January 1, 2023, and January 1, 2024 to coincide with the Utility's billing cycle.

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

The Board requires the Municipality to review its water 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, 2024.

The Board is concerned regarding the Utility's high levels of unaccounted for water and recommends the Municipality develop a plan to address them as soon as possible. The Board directs the Municipality to include a plan to address unaccounted for water levels in its next rate study if they continue to exceed 10%.

The Board has not received the Municipality's 2020 Audited Financial Statements and reminds the Municipality audited financial statements are to be reported to the Board no later than June 30 of the following year.

## 5.0 IT IS HEREBY ORDERED THAT:

1. The revised water rates for Grandview Municipality, Sugarloaf Water Utility, BE AND ARE HEREBY VARIED in accordance with the attached Schedule A, effective April 1, 2022, January 1, 2023, and January 1, 2024.
2. The Shared Cost Allocation Methodology for Grandview Municipality BE AND IS HEREBY APPROVED.
3. Grandview 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. Grandview Municipality amend its water 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. Grandview Municipality review its water rates for the Sugarloaf Water 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, 2024.
6. Grandview Municipality include a plan to address unaccounted for water levels in its next rates study if they continue to exceed 10%.
7. Grandview Municipality submit its 2020 Audited Financial Statements as soon as possible.

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 - \$500.00

THE PUBLIC UTILITIES BOARD

"Irene Hamilton"

Panel Chair

"Frederick Mykytyshyn"

Assistant Associate Secretary

Certified a true copy of Order No. 11/22  
issued by The Public Utilities Board



Assistant Associate Secretary

**SCHEDULE A**

**GRANDVIEW MUNICIPALITY  
SUGARLOAF WATER UTILITY  
WATER UTILITY RATES BY-LAW NO. 10-2021  
SCHEDULE OF QUARTERLY RATES**

1. Schedule of Commodity Rates & Quarterly Service Charge

**April 1, 2022**

Rates per 1,000 Gallons

1,000 Gallons per quarter

Water

\$12.48

Quarterly Service Charge

\$34.78

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) Water Customers**

| Meter Size | Group Capacity Ratio | Water Included Gallons | Customer Service Charge | Water Commodity Charge | Water Only Total Quarterly Minimum |
|------------|----------------------|------------------------|-------------------------|------------------------|------------------------------------|
| 5/8 inch   | 1                    | 3,000                  | \$34.78                 | \$37.44                | \$72.22                            |
| 1 inch     | 4                    | 12,000                 | \$34.78                 | \$149.76               | \$184.54                           |

1. Schedule of Commodity Rates & Quarterly Service Charge

**January 1, 2023**

Rates per 1,000 Gallons

1,000 Gallons per quarter

Water

\$13.89

Quarterly Service Charge

\$32.76

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) **Water Customers**

| Meter Size | Group Capacity Ratio | Water Included Gallons | Customer Service Charge | Water Commodity Charge | Water Only Total Quarterly Minimum |
|------------|----------------------|------------------------|-------------------------|------------------------|------------------------------------|
| 5/8 inch   | 1                    | 3,000                  | \$32.76                 | \$41.67                | \$74.43                            |
| 1 inch     | 4                    | 12,000                 | \$32.76                 | \$166.68               | \$199.44                           |

1. Schedule of Commodity Rates & Quarterly Service Charge

**January 1, 2024**

Rates per 1,000 Gallons

1,000 Gallons per quarter

Water

\$15.31

Quarterly Service Charge

\$30.73

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) **Water Customers**

| Meter Size | Group Capacity Ratio | Water Included Gallons | Customer Service Charge | Water Commodity Charge | Water Only Total Quarterly Minimum |
|------------|----------------------|------------------------|-------------------------|------------------------|------------------------------------|
| 5/8 inch   | 1                    | 3,000                  | \$30.73                 | \$45.93                | \$76.66                            |
| 1 inch     | 4                    | 12,000                 | \$30.73                 | \$183.72               | \$214.45                           |

**The following clauses take effect April 1, 2022:****3. Service To Customers Outside Utility's Limits**

The Council of Grandview Municipality may sign Agreements with customers for the provision of water services to properties located outside the boundaries of Grandview Municipality. 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 Grandview Municipality's boundaries. In addition, all costs of connecting to the Utility's mains, and installing and maintaining service connections, will be paid by the customer.

**4. Billings And Penalties**

Accounts shall be billed quarterly and the due date shall be at least 14 days after the mailing of the bills.

A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date.

**5. 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 office.

**6. Reconnection**

Any service disconnected, whether due to non-payment of account or for any other reason(s) mutually agreed to by the customer and the Municipality (ie. repairs necessitated by negligence of the customer, changes in tenant, vacancy for an extended period of time, etc.) shall not be reconnected until a reconnection fee of \$30.00 and all arrears and penalties, if any, have been paid.

7. Outstanding Bills

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

8. Water Allowance Due To Line Freezing

That in any case where, at the request of the Council, a customer allows water to run continuously for any period of time to prevent the water lines in the water system from freezing, the charge to the customer for the current quarter shall be the average of the billings for the last two previous quarters to the same customer, or to the same premises if the occupant has changed.

9. 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 \$200. The Municipality will then remove the subject meter and send it to an independent lab for testing. If the meter is found to be faulty, all costs associated with the testing process will be borne by the Municipality and the deposit will be refunded to the customer. If the meter is found to be in proper working order, all costs associated with the testing process will be borne by the customer and the customer will be billed or refunded any balance owing.

10. Cross Connections

No customer or person shall connect, cause to be connected or allow to remain connected any piping, fixture, fitting, container or appliance in a manner which under any circumstances may allow water, wastewater or any harmful liquid or substance to enter the Municipality's water system.

If a condition is found to exist which, in the opinion of the Municipality, is contrary to the aforesaid, the Municipality may either:

Shut off the service or services; or

Give notice to the customer to correct the fault at his or her own expense within a specified time period.

11. Conditions of Disrepair

In the event that there are conditions of disrepair in the water works on a property that detrimentally affects the system as a whole and, upon the failure of the owner of the property to correct the condition within a reasonable time, the Municipality, or its agents, may enter the property, effect repairs and charge the cost thereof against the subject property as ordinary taxes.

12. Authorization For Officer To Enter Upon Premises

The Public Works Manager, or other employee authorized by the Municipality in the absence of the Public Works Manager, shall be authorized to enter upon any premise for the purpose of:

Affixing to any pipe, wire or apparatus connected with any such utility, a meter or any other measuring or testing device; or taking readings from, repairing, inspecting or removing any meter or apparatus belonging to the Municipality.