

Order No. 133/22

**TOWN OF CARMAN
CARMAN WATER AND WASTEWATER UTILITY REVISED RATES
EFFECTIVE JANUARY 1, 2023**

December 19, 2022

BEFORE: Irene Hamilton, K.C., Panel Chair
Marilyn Kapitany, B.Sc. (Hon), M. Sc., Panel Member
Susan Boulter, Panel Member

Table of Contents

1.0	Executive Summary.....	3
2.0	Background	4
	Water Supply/Distribution	4
	Wastewater Collection/Treatment.....	5
	Unaccounted for Water	5
3.0	Application.....	6
	Contingency Allowance and Utility Reserves.....	9
	Working Capital Surplus/Deficit	9
	Cost Allocation Methodology	10
4.0	Board Findings	11
5.0	IT IS HEREBY ORDERED THAT:.....	12
	SCHEDULE A.....	14

1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves the revised water and wastewater rates for the Town of Carman (Town), Carman Water and Wastewater Utility (Utility), and varies the effective dates to January 1, 2023, January 1, 2024, and January 1, 2025.

The approved rates are as follows:

	Current Rates	January 1, 2023	January 1, 2024	January 1, 2025
Quarterly Service Charge	\$21.50	\$29.77	\$30.56	\$31.36
Water (per 1,000 gallons)	\$13.49	\$15.36	\$15.66	\$15.88
Wastewater (per 1,000 gallons)	\$3.09	\$3.42	\$3.46	\$3.50
Minimum Quarterly Charge*	\$71.24	\$86.11	\$87.92	\$89.50
Minimum Quarterly Charge – Wastewater Only*	\$30.77	\$40.03	\$40.94	\$41.86
Bulk Water (per cubic meter)	\$17.00	\$21.62	\$21.94	\$22.18
Lagoon Tipping Fee	\$6.00	\$7.00	\$7.50	\$8.00
Hydrant Rental Fee	\$120.00	\$130.00	\$130.00	\$130.00

*Based on 3,000 gallons

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 Utility provides water and wastewater services to 1,310 water and wastewater customers, 6 water only customers, and 1 wastewater only customer (or a total of 1,317 customers).

Rates were last approved for the Utility in 2016 in Board Order No. 94/16, with the last increase occurring January 1, 2019. Deficits of \$55,675 for 2015 and \$18,709 for 2016 were approved in Board Order No. 13/18 to be recovered through the Utility accumulated surplus fund.

Water Supply/Distribution

The Town decommissioned its former water treatment plant in June 2021. Since that time, the Town purchases all water from the Pembina Valley Water Co-op (PVWC). Water is primarily sourced from the Stephenfield Water Treatment Plant (Stephenfield), located twelve miles west of the Town. Water is gravity fed from Stephenfield to the new Carman Reservoir. The Carman Reservoir has two gravity reducing terminals to assist with the slope of Stephenfield's location above the Town. Water from the Carman Reservoir is pumped through a distribution system by five pumps.

A re-chlorination station is located at the Carman Reservoir as a back up water source if there are issues with the Stephenfield system. There is also an emergency water source at the Roland Reservoir located south of the Town. The Roland Reservoir is supplied water from the Morris Water Treatment Plant.

Wastewater Collection/Treatment

The Town of Carman has installed a gravity wastewater system that services the entire community. The wastewater infrastructure connects to a four-cell lagoon located on the East side of Town. There are three lift stations located throughout the Town and a main lift station on the East side of Town that pumps and directs wastewater through a force main and to the lagoon. The four-cell lagoon has two primary cells used to store and treat wastewater. Wastewater is only discharged from the fourth cell. The Town has an area within the bentonite slurry trench at the lagoon site with the ability to expand to a fifth cell when required.

Board Order No. 94/16 noted the Town needed to address new provincial regulations concerning phosphorous levels and the lagoon was not equipped with a method to address phosphorous levels at that time. The Town now treats the wastewater with alum twice per year to lower the phosphorous count. The Town works with the Environmental Officer and tests the water to be discharged prior to discharging. The Town advises, as of 2022, the phosphorus readings were well under the regulated tolerance level.

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.

As at 2020, unaccounted water for the Utility is 11.29% and was forecasted to be 11.55% for 2021 in the Town's rate study. Since the last rate study, the Town has upgraded 12 blocks of water main were upgraded in 2020, a new industrial park water system was installed in 2021, and the Town entered into agreements with all but five homeowners who utilize butterfly valves to better track unaccounted for water running through the system.

The Town also plans to address unaccounted for water by better tracking/monitoring from taps at the water reservoir that provide water free of charge using a key access system and installation of a meter at the currently unmetered recreational wastewater dump station.

3.0 Application

On February 23, 2022, the Town applied for revised water and wastewater rates for the Utility. The application was accompanied by a rate study prepared by the Town's consultant and By-Law No. 21/2050, having had first reading on October 14, 2021 and second reading on March 4, 2022 20/2047, and By-Law No. 20/2047 having had final reading December 10, 2020 for water purchased from the Pembina Valley Water Cooperative.

A Public Notice of Application was issued on March 4, 2022 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the Town on or before April 3, 3033. No responses to the Notice were received.

On October 18, 2022, Board staff sent information requests to the Town to provide additional information and clarification regarding the Town's application. On October 27, 2022, in response to Board staff information requests, the Town's auditor(s) advised that in error, amortization of capital grants was not reported in the 2021 Audited Financial Statements and not included in the 2022, 2023, 2024, and 2025 Utility rate forecasts, however, the specific amount omitted was not advised by the auditor(s) at that time.

On November 30, 2022, the Town advised Board staff that \$75,474 in amortization of capital grants was omitted from the 2021 Audited Financial Statements and \$150,947 will be reported for 2022, 2023, 2024, and 2025. The Town also advised these revisions resulted in reductions to the requested Utility water rate to \$15.36 for 2023, \$15.66 for 2024, and \$15.88 for 2025 and the bulk water rate to \$21.62 for 2023, \$21.94 for 2024, and \$22.18 for 2025. On December 9, 2022, the Town submitted Council Resolution Number 176 in support of the requested rate revisions.

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 Town’s application.

The rates were calculated based on the following projections using an annual inflation rate of 3% in all calculations:

Schedule of Utility Rate Requirements				
Town of Carman – Carman Water and Wastewater Utility				
2022 to 2025 Budget Forecasts (\$)				
	2022	2023	2024	2025
	Forecast			
General Expenses				
Administration	153,446	158,050	162,791	167,675
Total General Expenses				
Revenue				
Penalties	1,200	1,200	1,200	1,200
Total General Revenues	1,200	1,200	1,200	1,200
Net Costs General	152,246	156,850	161,591	166,475
Water Expenses				
Purification and Treatment	687,669	708,049	729,061	750,562
Transmission and Distribution	164,294	169,222	174,299	179,528
Connections	79,000	34,500	39,000	39,500

	Amortization	152,457	262,555	262,555	262,555
	Interest on Long-Term Debt	98,251	93,210	87,961	82,496
	Contingency	93,096	91,177	94,236	96,959
	Total Water Expenses	1,274,767	1,358,713	1,387,112	1,411,600
Revenue					
	Connections	6,000	6,000	6,000	6,000
	Hydrant Rentals	16,900	17,160	17,290	17,420
	Taxation Revenue	231,179	231,179	231,179	231,179
	Total Water Revenue	254,079	254,339	254,469	254,599
	Net Water Costs	1,020,688	1,104,374	1,132,643	1,157,001
Wastewater Expenses					
	Collection System	156,150	160,835	167,960	174,999
	Lift Station	24,778	25,521	26,287	27,076
	Treatment and Disposal	5,850	6,026	6,206	6,392
	Amortization	78,425	76,257	74,089	71,921
	Interest on Long-Term Debt	24,417	19,353	17,409	15,416
	Contingency	18,678	16,056	16,864	17,685
	Reserve	35,000	3,000	3,000	3,000
	Total Wastewater Expenses	343,298	307,048	311,815	316,489
Revenue					
	Tipping Fees	1,200	1,200	1,300	1,300
	Taxation Revenue	155,361	97,120	97,120	97,120
	Total Wastewater Revenue	156,561	98,320	98,420	98,420
	Net Wastewater Costs	186,737	208,728	213,395	218,069
	Net Operating Costs	1,359,671	1,469,952	1,507,629	1,541,545

The proposed Utility rate increases are primarily required to provide for increases in water and wastewater amortization expenses, interest related to water and wastewater debt, a 10% contingency, inflation, and increased water purchase costs resulting from the decommissioning of the Town's water treatment plant.

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 Town has included a contingency allowance of \$93,096 for 2022, \$91,177 for 2023, \$94,236 for 2024, and \$96,959 for 2025 for water and \$18,678 for 2022, \$16,056 for 2023, \$16,864 for 2024, and \$17,685 for 2025 for wastewater or a total contingency allowance of \$111,774 for 2022, \$107,233 for 2023, \$111,100 for 2024, and \$114,644 for 2025.

The Town has included a reserve allowance of \$35,000 for 2022 and \$3,000 per year for 2023, 2024, and 2025.

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.

On October 24, 2022, the Town advised an error in the reporting of the 2020 (\$2,334,559) and 2021 (\$2,900,515) "Due to other funds" line item that should have been reported in the "Long-term debt" line item of the respective year's Audited Financial Statements. As per the revised figures from the Town, the working capital surplus for the Utility at December 31, 2021 and December 31, 2020 was:

	2021	2020
Utility Fund Surplus/Deficit	\$9,895,080	\$8,154,617
Deduct: Tangible Capital Assets	(12,867,053)	(10,728,337)
Add: Long-Term Debt	3,264,695	2,786,259
Add: Utility Reserves	262,316	223,148
Equals Working Capital Surplus (Deficit)	\$555,038	\$435,687
Operating Expenses	1,760,236	972,814
Less: Loss on Disposal of Capital Assets	(692,642)	-
Adjusted Operating Expenses	1,067,594	-
20% of Operating Expenses (Target)	\$213,519	\$194,563

The Utility meets 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.

Shared Overhead		
Sub-Category	Activity/Expenses (Object)	% Expenses allocated to Utility (Estimated)
Direct Overhead Costs	Salaries & Wages - Meter Reading Entry	10%
	Bill Preparation	10%
	Receipting	10%
	Reporting	10%
Indirect Overhead Costs General Administrative Costs and Shared	CAO	10%
	Council	10%
	Audit and Legal	10%
	Office Supplies	10%
	Photocopying/Lease	20%
Shared Direct Operating Costs		
Sub-Category	Activity/Expense (Object)	% Expense allocated to Utility (Estimated)
Direct Equipment Costs	Public Works Building - Maintenance	10%
	Vehicles - Fuel / Insurance	10%
	Machinery & Equipment	10%
	Road Construction & Maintenance eq. Interest/Lease Costs/Amortization	10%
	Labour Costs Directly Attributed to the Maintenance and Repair of Utility Tangible Capital Assets.	10%
Direct Labor		
Shared Capital Costs		
Direct Overhead Costs	Administrative	10%
Direct Equipment Costs	Operating Costs for: Vehicles; Machinery & Eq; Road Construction and Maintenance Eq	10%
Direct Labor	Labor costs directly attributed to the development and construction of a Utility Tangible Capital Asset	10%

4.0 Board Findings

The Board has reviewed the application, the revised projections for utility rates presented by the Town in its rate study, revised rate calculations, and supplemental information provided by the Town and finds them to be acceptable. The Board approves the revised rates as applied for by the Town, but varies the effective dates to January 1, 2023, January 1, 2024, and January 1, 2025 to align with the Town's billing cycle.

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

The Board notes the Utility has expiring taxation revenues for water and wastewater debt. The Board reminds the Town to be cognizant of these revenues when reviewing and setting rates. If the Town does not take action to provide for expiring taxation revenues accordingly, upon expiring of these revenues, Utility customers will incur large increases to rates all at one time.

The Board requires the Town 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, 2025.

The Board notes the errors to the 2020 and 2021 Audited Financial Statements advised by the Town. The Board directs the Town to revise its 2020 and 2021 Audited Financial Statements to reflect the correct reporting of the "Long-term debt" and "Due to other funds" line items.

The Board also notes the omission of reporting of amortization of capital grants in the Public Utilities Board Note to the Consolidated Financial Statements in the 2021 Audited Financial Statements. The Board strongly encourages the Town to work closely with its auditor(s) to ensure the Public Utilities Board Note to the Consolidated Financial Statements is complete and accurate each year. If the note is omitted, incomplete, or incorrect, it limits the Board's ability to assess the Utility's financial position, and the Town's ability to set appropriate rates to sustain the Utility and its operations. The Board directs the Town to ensure reporting of amortization of capital grants is complete and correct in the 2022 and all future years' Audited Financial Statements.

5.0 IT IS HEREBY ORDERED THAT:

1. The revised water and wastewater rates for the Town of Carman, Carman Water and Wastewater Utility, BE AND ARE HEREBY VARIED in accordance with the attached Schedule A, effective January 1, 2023, January 1, 2024, and January 1, 2025.
2. The Shared Cost Allocation Methodology for the Town of Carman BE AND IS HEREBY APPROVED.
3. The Town of Carman 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 Town of Carman amend its water and 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 Town of Carman review its water and wastewater rates for the Carman Water and 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, 2025.
6. The Town of Carman revise its 2020 and 2021 Audited Financial Statements to reflect the correct reporting of the "Long-term debt" and "Due to other funds" line items.

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.

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. 133/22
Issued by the Public Utilities Board



Assistant Associate Secretary

SCHEDULE A

**TOWN OF CARMAN
CARMAN WATER AND WASTEWATER UTILITY
WATER AND WASTEWATER UTILITY RATES BY-LAW NO. 21/2050
SCHEDULE OF QUARTERLY RATES**

SCHEDULE OF QUARTERLY WATER RATES: - Effective January 1 in each year

1. **Commodity rates per M.G.**

Year One – Jan. 1, 2023	<u>Water</u>	<u>Wastewater</u>	<u>Water & Wastewater</u>
Gallon for Gallon	\$15.36	\$3.42	\$21.21
Year Two – 2024	<u>Water</u>	<u>Wastewater</u>	<u>Water & Wastewater</u>
Gallon for Gallon	\$15.66	\$3.46	\$21.53
Year Three – 2025	<u>Water</u>	<u>Sewer</u>	<u>Water & Wastewater</u>
Gallon for Gallon	\$15.88	\$3.50	\$21.77

2. **Minimum Charges, Quarterly**

Notwithstanding the commodity rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charges set out below, which will include water allowances indicated:

(a) **Year One – January 1, 2023**

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	<u>Commodity Charges</u>		Total Quarterly Minimum
				<u>Water</u>	<u>Wastewater</u>	
5/8"	1	3,000	\$29.77	\$ 46.08	\$ 10.26	\$ 86.11
3/4"	2	6,000	\$29.77	\$ 92.16	\$ 20.52	\$ 142.45
1"	4	12,000	\$29.77	\$ 184.32	\$ 41.04	\$ 255.13
1 1/2"	10	30,000	\$29.77	\$ 460.80	\$102.60	\$ 593.17
2"	25	75,000	\$29.77	\$1,152.00	\$256.50	\$1,438.17
3"	45	135,000	\$29.77	\$2,073.60	\$461.70	\$2,565.07

Year Two – January 1, 2024

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	<u>Commodity Charges</u>		Total Quarterly Minimum
				Water	Wastewater	
5/8"	1	3,000	\$30.56	\$ 46.98	\$ 10.38	\$ 87.92
3/4"	2	6,000	\$30.56	\$ 93.96	\$ 20.76	\$ 145.68
1"	4	12,000	\$30.56	\$ 187.92	\$ 41.52	\$ 260.00
1 1/2"	10	30,000	\$30.56	\$ 469.80	\$103.80	\$ 604.16
2"	25	75,000	\$30.56	\$1,174.50	\$259.50	\$1,464.56
3"	45	135,000	\$30.56	\$2,114.10	\$467.10	\$2,611.66

Year Three – January 1, 2025

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	<u>Commodity Charges</u>		Total Quarterly Minimum
				Water	Wastewater	
5/8"	1	3,000	\$31.36	\$ 47.64	\$ 10.50	\$ 89.50
3/4"	2	6,000	\$31.36	\$ 95.28	\$ 21.00	\$ 147.64
1"	4	12,000	\$31.36	\$ 190.56	\$ 42.00	\$ 263.92
1 1/2"	10	30,000	\$31.36	\$ 476.40	\$105.00	\$ 612.76
2"	25	75,000	\$31.36	\$1,191.00	\$262.50	\$1,484.86
3"	45	135,000	\$31.36	\$2,143.80	\$472.50	\$2,647.66

(b) **Water Only Customers**

Minimum charge will be the same for each meter size as shown above, but the Wastewater Commodity Charge will be excluded.

(c) **Wastewater Only**

Users of Town sewage who discharge water and wastes into the Town sewage system, and who obtain their water supply from other than the Town of Carman, are required to meter their water supply at their own expense and shall be billed for sewage based on the water meter reading at rates set forth in paragraph 1 plus the quarterly service charge as per paragraph 2. The minimum billing shall be based on 3,000 imperial gallons per quarter plus the service charge.

(d) **Lagoon Tipping Fees**

Lagoon tipping fees collected by the Town of Carman shall be charged for at the rate of \$7.00 (2023); \$7.50 (2024); and \$8.00 (2025) per 1,000 gallons.

3. **Bulk Sales Rate**

All water sold in bulk by the Town of Carman shall be charged for at the rate of \$21.62 (2023); \$21.94 (2024), \$22.18 (2025) per 1,000 gallons.

4. **Service to Customers outside Town of Carman boundaries**

The Council of the Town of Carman may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Town of Carman. Such agreements shall provide for the 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 any frontage levy, general and/or special levies for 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 these boundaries. In addition, all costs of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

5. **Billings and Penalties**

A late payment charge of 1.25% shall be charged on the dollar amount owing after the billing due date. Accounts shall be billed quarterly, and the due date will be at least fourteen days after the mailing of the bills.

6. **Disconnection**

The Public Utilities Board has approved the Conditions Precedent to be followed by the Town with respect to the 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 attached as Schedule "A" to Public Utilities Order No. 39/09 and is attached to the Town of Carman By-Law No. 08/1921.

7. **Reconnection**

Any service disconnected due to non-payment of account shall not be recommended until all arrears, penalties, and a reconnection fee of \$75.00 have been paid.

8. **Outstanding Bills**

Pursuant to Section 252(2) of *The Municipal Act*, the amount of all outstanding charges for water and sewer service are a lien and charge upon the land serviced and shall be collected in the same way ordinary taxes upon the land are collectible and with like remedies.

9. **Hydrant Rentals**

The Town of Carman will pay to the utility an annual rental for each hydrant connected to the system as follows: \$130.00 for each hydrant connected to the system.