

Order No. 136/22

**RURAL MUNICIPALITY OF LA BROQUERIE
LA BROQUERIE WASTEWATER UTILITY REVISED RATES
EFFECTIVE JANUARY 1, 2023
AND 2019 ACTUAL OPERATING DEFICIT**

December 22, 2022

BEFORE: Shawn McCutcheon, 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
	Wastewater Collection/Treatment.....	4
3.0	Application.....	5
	Contingency Allowance and Utility Reserves.....	6
	Working Capital Surplus/Deficit	7
	Cost Allocation Methodology	7
	Deficits.....	9
4.0	Board Findings	10
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 wastewater rates for the Rural Municipality of La Broquerie (RM), La Broquerie Wastewater Utility (Utility), effective 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	\$11.35	\$12.35	\$13.35	\$14.36
Wastewater (per REU)	\$37.85	\$39.96	\$42.07	\$44.19
Minimum Quarterly Charge *	\$49.20	\$52.31	\$55.42	\$58.55
Wastewater Tipping Fees – Outside RM (per load)	\$42.00	\$42.00	\$42.00	\$42.00
Wastewater Tipping Fees – Within RM (per load)	\$7.00	\$7.00	\$7.00	\$7.00

*per Residential Equivalency Unit (REU)

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

The Board also approves the RM's request for recovery of a 2019 actual operating deficit of \$123,461, when calculated for regulatory purposes, incurred by the Utility to be recovered from the Utility's Accumulated Surplus Fund.

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 456 customers with a total assignment of 876 REUs (as at December 31, 2020). Residents obtain water from private, unmetered wells and therefore wastewater services are charged on an REU basis.

One REU is calculated as the volume of water estimated to be used by the average single-family residence. REU's are used in communities with unmetered distribution and collection systems, where information regarding actual consumption is unavailable.

Rates were last approved for the Utility in 2018 in Board Order No. 152/18, with the last increase occurring January 1, 2021.

Wastewater Collection/Treatment

The wastewater system is comprised of a gravity flow wastewater collection system with four lift stations discharging into two aeration cells, then through three holding cells before flowing into a wetlands cell. The collection system and two lagoons were constructed in 1989.

The lagoon was expanded by an addition of two cells in 2006 and further expanded in 2017 with a \$3.3 million expansion project. A \$4.1 million tertiary treatment project was completed in 2019.

3.0 Application

On May 6, 2022, the RM applied for revised wastewater rates for the Utility and recovery of a 2019 actual operating deficit in the amount of \$123,461, when calculated for regulatory purposes, to be recovered from the Utility's Accumulated Surplus Fund. The application was accompanied by a rate study prepared by the RM's consultant and By-Law No. 152/18 having had first reading on March 23, 2022.

A Public Notice of Application was issued on May 12, 2022 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the RM on or before June 11, 2022. No responses to the Notice 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 a paper review process for the RM'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				
Rural Municipality of La Broquerie – La Broquerie Wastewater Utility				
2022 to 2025 Budget Forecasts (\$)				
	2022	2023	2024	2025
	Forecast			
General Expenses				
Administration	23,684	26,095	26,878	27,684
Total General Expenses	23,684	26,095	26,878	27,684
Revenue				
Penalties	1,500	1,500	1,500	1,500
Total General Revenues	1,500	1,500	1,500	1,500
Net Costs General	22,184	24,595	25,378	26,184
Wastewater Expenses				
Collection System	103,690	105,442	107,229	110,446
Lift Station	47,790	50,745	53,760	55,373
Amortization	350,847	350,847	350,847	342,802
Interest on Long-Term Debt	129,132	119,525	109,525	99,116
Contingency	-	13,582	13,582	13,582
Reserve	-	80,000	80,000	80,000
Total Wastewater Expenses	631,459	720,141	714,943	701,319
Revenue				
Tipping Fees	15,000	15,000	15,000	15,000
Municipal Lagoon Contribution	15,000	15,000	15,000	15,000
Total Wastewater Revenue	30,000	30,000	30,000	30,000
Net Wastewater Costs	601,459	690,141	684,943	670,319
Net Operating Costs	623,643	714,736	710,321	696,503

The proposed Utility rate increases are primarily required to provide for increases in lift station expenses and an annual transfer to Utility reserves.

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 included a contingency allowance of \$13,582 per year.

The RM has included a reserve allowance of \$80,000 per year for future capital projects and to stabilize the Utility's working capital.

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 2021 Audited Financial Statements, the most recent information available, the working capital surplus for the Utility at December 31, 2021 was:

	2021
Utility Fund Surplus/Deficit	\$6,242,362
Deduct: Tangible Capital Assets	(10,099,709)
Add: Long-Term Debt	3,319,478
Add: Utility Reserve	38,500
Add: Lagoon Reserve	747,220
Equals Working Capital Surplus (Deficit)	\$247,851
Operating Expenses	673,761
20% of Operating Expenses (Target)	\$134,752

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.

The RM's allocation plan for shared costs is as follows:

Rural Municipality of La Broquerie La Broquerie Wastewater Utility Allocation Plan for Non-Direct Shared Services (see Note 1) as at March, 2022			
Category	Sub-category	Options	
1.0	Administrative Staff		2.25% of general government services (as defined in Financial Plan), 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.		2.25% of audit costs
	1.3 Common office space		2.25% of office cots, utilities
	1.4 Office overheads (telephone, photocopier, computer, etc.)		2.25% of printing, postage, and stationary
2.0	Operating, construction and maintenance costs		
	2.1 Vehicle – fuel, maintenance, lease costs, capital costs		4% of Public Works Department fuel and vehicle maintenance costs
	2.2 Labor – full time, part time, on call, sick time, vacation (see Note 2)		900 hours of Public Works staff time are to be charged to the Utility for chemical application and pump/blower maintenance.
	2.3 Public works building and property.		4% of Public Works shop expenses are to be charged to the Utility
	2.4 Road repairs and alike (see Note 3)	Based on actual costs	-
3.0	Major projects		
	Interest/ financing		N/A
	Labor	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.)

Deficits

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

The RM's Application included request to recover a 2019 actual operating deficit in the amount of \$123,461, when calculated for regulatory purposes, incurred by the Utility to be recovered from the Utility's Accumulated Surplus Fund. The RM advises the deficit was primarily related to required system line flushing costs, wastewater line video surveillance costs, and unforeseen sinkhole and lift station repair costs.

4.0 Board Findings

The Board has reviewed the RM's application for revised utility rates presented by the RM in its rate study.

The Board notes, the RM's calculation of utility rate requirements includes an allocation of \$15,000 per year in funds collected from property taxes and transferred to utility revenue. The RM states in its application the taxes are collected in recognition the lagoon is used by the whole RM.

The Board promotes the user-pay principle in rate setting to send proper price signals to customers. It is therefore important the true cost of running the utility is included in the financial reporting and projections related to each of those utilities. All utility related costs have to be attributed fairly if rates are to reflect an accurate accounting of providing the service(s) and avoid cross-subsidization from general municipal operations.

The Board finds the \$15,000 in tax revenue transferred to the Utility is a cross-subsidization of revenues. The Board also finds the Utility already has approved wastewater tipping fees for all lagoon users to provide for the cost of lagoon operations. This includes a fee of \$7.00 per load specifically for users located inside the RM, which is in keeping with user-pay principles. An additional charge on taxes to RM taxpayers would be in effect double-billing customers.

The Board directs the RM to cease the annual transfer of \$15,000 in property tax revenue to the Utility, effective the date of this Order.

The Board notes the RM has included a reserve allocation of \$80,000 per year in its rate calculations. The Board also notes the RM has advised in its rate study, the requested reserve allocation has not been included to provide for any specific project(s). The Board therefore varies the RM's application by reducing the reserve allocation by the amount of the \$15,000 in utility revenue previously collected from property taxes for lagoon operations to

\$65,000 per year. The variance preserves the utility rates as requested by the RM and results in a net zero impact to the utility rate requirements.

The Board approves the revised rates as applied for by the RM effective January 1, 2023, January 1, 2024, and January 1, 2025.

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

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, 2025.

The Board has also reviewed the RM's deficit application and notes the 2019 Audited Financial Statements understated the reporting of the Wastewater Amortization Expense line item by \$105,462. The error was subsequently corrected in the RM's 2020 Audited Financial Statements accordingly.

The Board approves the 2019 actual operating deficit in the amount of \$123,461, when calculated for regulatory purposes, to be recovered from the Utility's Accumulated Surplus Fund.

5.0 IT IS HEREBY ORDERED THAT:

1. The revised wastewater rates for the Rural Municipality of La Broquerie, La Broquerie Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule A, effective January 1, 2023, January 1, 2024, and January 1, 2025.
2. The Rural Municipality of La Broquerie cease the annual transfer of the \$15,000 in property tax revenue to the La Broquerie Wastewater Utility, effective the date of this Order.
3. The Shared Cost Allocation Methodology for the Rural Municipality of La Broquerie BE AND IS HEREBY APPROVED.
4. The Rural Municipality of La Broquerie 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.
5. The Rural Municipality of La Broquerie 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.
6. The Rural Municipality of La Broquerie review its wastewater rates for the La Broquerie 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.
7. The 2019 actual operating deficit, when calculated for regulatory purposes, in the amount of \$123,461, incurred by the Rural Municipality of La Broquerie, La Broquerie Wastewater Utility, is HEREBY APPROVED and is to be recovered through the Utility's Accumulated Surplus Fund.

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

"Shawn McCutcheon"

Panel Chair

"Frederick Mykytyshyn"

Assistant Associate Secretary

Certified a true copy of Order No. 136/22
Issued by The Public Utilities Board



Assistant Associate Secretary

SCHEDULE A
RURAL MUNICIPALITY OF LA BROQUERIE
LA BROQUERIE WASTEWATER UTILITY
WASTEWATER UTILITY RATES BY-LAW NO. 09-2022
SCHEDULE OF QUARTERLY WASTEWATER RATES
Effective January 1, 2023

1. Customer Service Charge

The quarterly service charge shall be: \$12.35

2. Schedule of Commodity Rates & Quarterly Service Charge

The commodity rate for all wastewater usage shall be based on one residential equivalency unit and pro-rated in accordance with the Schedule of Minimum Quarterly Charges as detailed in Clause 3 hereafter.

The quarterly wastewater usage rate for one residential equivalent unit shall be:
\$39.96

3. Schedule of Minimum Quarterly Charges

All customers will pay the applicable minimum charges per quarter set out below:

<u>Customer</u>		<u>Residential Equivalency Units</u>	<u>Customer Service Charge</u>	<u>Sewer Commodity Charge</u>	<u>Total Quarterly Charges</u>
Churches		1	\$12.35	\$39.96	\$52.31
Garages	no wash rack	1	\$12.35	\$39.96	\$52.31
Garages	with one wash rack	2	\$12.35	\$79.92	\$92.27
Garages	additional; per wash rack after first	2		\$79.92	\$79.92
Halls	for every 230 seats, rounded up	1	\$12.35	\$39.92	\$52.31
HyLife Truck Wash		147	\$12.35	\$5,874.12	\$5,886.47
Hospitals	for every 2 beds, rounded up	3	\$12.35	\$119.88	\$132.23
Hotels & Motels	for every 2 rooms, rounded up	1	\$12.35	\$39.96	\$52.31
Hotels & Motels	for every 15 beverage room seats, rounded up	1	\$12.35	\$39.96	\$52.31
Laundromats	per washing machine	1	\$12.35	\$39.96	\$52.31
Offices	1 to 40 staff	1	\$12.35	\$39.96	\$52.31
Offices	41 to 80 staff	2	\$12.35	\$79.92	\$92.27
Offices	81 to 120 staff	3	\$12.35	\$119.88	\$132.23
Residential	single family dwelling	1	\$12.35	\$39.96	\$52.31
Residential	multi-family - per dwelling unit	1	\$12.35	\$39.96	\$52.31
Restaurants & Cafes	per 20 seats, rounded up	1	\$12.35	\$39.96	\$52.31
Retail & Commercial	without public washroom	1	\$12.35	\$39.96	\$52.31
Retail & Commercial	with public washroom	2	\$12.35	\$79.92	\$92.27
Schools	per classroom	1	\$12.35	\$39.96	\$52.31
Senior Citizens Home	2 single rooms, rounded up	1	\$12.35	\$39.96	\$52.31
Senior Citizens Home	double room	1	\$12.35	\$39.96	\$52.31
HyLife Centre Arena		2	\$12.35	\$79.92	\$92.27

SCHEDULE OF QUARTERLY WASTEWATER RATES
Effective January 1, 2024

1. Customer Service Charge

The quarterly service charge shall be: \$13.35

2. Schedule of Commodity Rates & Quarterly Service Charge

The commodity rate for all wastewater usage shall be based on one residential equivalency unit and pro-rated in accordance with the Schedule of Minimum Quarterly Charges as detailed in Clause 3 hereafter.

The quarterly wastewater usage rate for one residential equivalent unit shall be: \$42.07

3. Schedule of Minimum Quarterly Charges

All customers will pay the applicable minimum charges per quarter set out below:

<u>Customer</u>		<u>Residential Equivalency Units</u>	<u>Customer Service Charge</u>	<u>Sewer Commodity Charge</u>	<u>Total Quarterly Charges</u>
Churches		1	\$13.35	\$42.07	\$55.42
Garages	no wash rack	1	\$13.35	\$42.07	\$55.42
Garages	with one wash rack	2	\$13.35	\$84.14	\$97.49
Garages	additional; per wash rack after first	2		\$84.14	\$84.14
Halls	for every 230 seats, rounded up	1	\$13.35	\$42.07	\$55.42
HyLife Truck Wash		147	\$13.35	\$6,184.29	\$6,197.64
Hospitals	for every 2 beds, rounded up	3	\$13.35	\$126.21	\$139.56
Hotels & Motels	for every 2 rooms, rounded up	1	\$13.35	\$42.07	\$55.42
Hotels & Motels	for every 15 beverage room seats, rounded up	1	\$13.35	\$42.07	\$55.42
Laundromats	per washing machine	1	\$13.35	\$42.07	\$55.42
Offices	1 to 40 staff	1	\$13.35	\$42.07	\$55.42
Offices	41 to 80 staff	2	\$13.35	\$84.14	\$97.49
Offices	81 to 120 staff	3	\$13.35	\$126.21	\$139.56
Residential	single family dwelling	1	\$13.35	\$42.07	\$55.42
Residential	multi-family - per dwelling unit	1	\$13.35	\$42.07	\$55.42
Restaurants & Cafes	per 20 seats, rounded up	1	\$13.35	\$42.07	\$55.42
Retail & Commercial	without public washroom	1	\$13.35	\$42.07	\$55.42
Retail & Commercial	with public washroom	2	\$13.35	\$84.14	\$97.49
Schools	per classroom	1	\$13.35	\$42.07	\$55.42
Senior Citizens Home	2 single rooms, rounded up	1	\$13.35	\$42.07	\$55.42
Senior Citizens Home	double room	1	\$13.35	\$42.07	\$55.42
HyLife Centre Arena		2	\$13.35	\$84.14	\$97.49

SCHEDULE OF QUARTERLY WASTEWATER RATES

Effective January 1, 2025

1. Customer Service Charge

The quarterly service charge shall be: \$14.36

2. Schedule of Commodity Rates & Quarterly Service Charge

The commodity rate for all wastewater usage shall be based on one residential equivalency unit and pro-rated in accordance with the Schedule of Minimum Quarterly Charges as detailed in Clause 3 hereafter.

The quarterly wastewater usage rate for one residential equivalent unit shall be: \$44.19

3. Schedule of Minimum Quarterly Charges

All customers will pay the applicable minimum charges per quarter set out below:

<u>Customer</u>	<u>Residential Equivalency Units</u>	<u>Customer Service Charge</u>	<u>Sewer Commodity Charge</u>	<u>Total Quarterly Charges</u>
Churches	1	\$14.36	\$44.19	\$58.55
Garages	1	\$14.36	\$44.19	\$58.55
Garages	2	\$14.36	\$88.38	\$102.74
Garages	2		\$88.38	\$88.38
Halls	1	\$14.36	\$44.19	\$58.55
HyLife Truck Wash	147	\$14.36	\$6,495.93	\$6,510.29
Hospitals	3	\$14.36	\$132.57	\$146.93
Hotels & Motels	1	\$14.36	\$44.19	\$58.55
Hotels & Motels	1	\$14.36	\$44.19	\$58.55
Laundromats	1	\$14.36	\$44.19	\$58.55
Offices	1	\$14.36	\$44.19	\$58.55
Offices	2	\$14.36	\$88.38	\$102.74
Offices	3	\$14.36	\$132.57	\$146.93
Residential	1	\$14.36	\$44.19	\$58.55
Residential	1	\$14.36	\$44.19	\$58.55
Restaurants & Cafes	1	\$14.36	\$44.19	\$58.55
Retail & Commercial	1	\$14.36	\$44.19	\$58.55
Retail & Commercial	2	\$14.36	\$88.38	\$102.74
Schools	1	\$14.36	\$44.19	\$58.55
Senior Citizens Home	1	\$14.36	\$44.19	\$58.55
Senior Citizens Home	1	\$14.36	\$44.19	\$58.55
HyLife Centre Arena	2	\$14.36	\$88.38	\$102.74

The following clauses take effect January 1, 2023:

1. Service To Customers Outside LUD of La Broquerie Limits

The Council of the Rural Municipality of La Broquerie may sign Agreements with customers for the provision of wastewater services to properties located outside the boundaries of the Local Urban District. 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 the LUD boundaries. In addition, all costs of connecting to the Utility's mains, and installing and maintaining service connections, will be paid by the customer.

2. Wastewater Tipping Fees

Septic service haulers shall remit \$42.00 per load for septage hauled from residents located outside the boundaries of the RM of La Broquerie.

Septic service haulers shall remit \$7.00 per load for septage hauled from residents of the RM of La Broquerie.

3. Billings And Penalties

Accounts shall be billed quarterly and the due date shall be at least 20 days after the mailing of the bills.

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

4. Outstanding Bills

Pursuant to Section 252(2) of *The Municipal Act*, the amount of all outstanding charges for wastewater 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. Where charges and penalties pursuant to this by-law remain outstanding on the last day of the fiscal year, said charges and penalties may be added on an annual basis to the taxes on the property and collected in the same manner as other taxes.

5. Wastewater Surcharges

a) There may be levied annually, in addition to the rates set forth above, a special surcharge on wastewater having a Biochemical Oxygen Demand in excess of 300 parts per million, to be set by Resolution of Council.

b) A special surcharge for substances requiring special treatment shall be charged based on the actual costs of treatment required for the particular wastewater or industrial waste.

6. Conditions of Disrepair

In the event that there are conditions of disrepair in the wastewater 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 Rural Municipality, or its agents, may enter the property, effect repairs and charge the cost thereof against the subject property as ordinary taxes.