

Order No. 34/22

**TOWN OF LEAF RAPIDS
LEAF RAPIDS WATER AND WASTEWATER UTILITY
INTERIM *EX PARTE* WATER AND WASTEWATER RATES**

April 1, 2022

**BEFORE: Shawn McCutcheon, Panel Chair
Marilyn Kapitany, B.Sc., (Hon), Panel Member**

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1.0 Executive Summary

By this Order, the Public Utilities Board (Board) grants interim *ex parte* approval for the Town of Leaf Rapids' (Town) request for revised water and wastewater rates for the Leaf Rapids Water and Wastewater Utility (Utility) effective April 1, 2022.

The revised rates are below:

	April 1, 2022
Quarterly Service Charge (General Fee)	\$ 47.63
Water service	\$ 113.25
Wastewater service	\$ 78.75
Quarterly Charge*	\$ 239.63

*Quarterly charge for one residential equivalency unit (REU)

Details of other rates can be found in Schedule A.

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

2.0 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.

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.

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.

Unaccounted for Water

Water losses may be caused by such events as distribution line losses, service leaks, water used for fire fighting or line flushing, and under-registration of water meters. The Board Guidelines require utilities to compare the volume of water produced or purchased against the volume of water sold, to determine the percentage of unaccounted for water. Unaccounted for water volumes of approximately 10% are considered industry standard.

The Board expects any utility experiencing a greater volume of unaccounted for water to provide an explanation and plan to address the water losses.

3.0 Background

The Town of Leaf Rapids operates the Leaf Rapids Water and Wastewater Utility and provides services to approximately 164 customers, with a total of 224 residential equivalency units (REUs).

One REU is the estimate of the volume of water used by the average single-family residence. The Utility allocates units to non-residential customers based on estimated consumption, as compared with a residence. REUs are used in communities with unmetered distribution and collection systems, where information regarding actual consumption is unavailable.

Utility rates were last reviewed by the Board in 2010, with current rates coming into effect April 1, 2011. The Board granted approval for current rates in Board Order No. 83/10.

4.0 Application

On January 4, 2022 the Board received a request from the Town Administrator (Administrator) for approval of interim *ex parte* rates for the Utility. The Administrator advised the Board that the Town had lost quorum of Council in January 2020, and the Province of Manitoba (Province) subsequently implemented an Order of Administration as of January 15, 2020. The Province then appointed an Administrator to oversee the operations of the Town.

In response to questions from the Board, the Administrator advised the decision regarding requested rate revisions was made in consultation with representatives of Municipal Relations. The response was received February 10, 2022 and was accompanied by a copy of By-law No. 515-21, having had first reading January 19, 2022.

The Administrator also advised the Board that the Town does not have audited financial statements for the years 2012 and 2013. The Town's auditors advised the Province that due to significant issues with previous Management's record keeping and the resulting absence

of accounting records, they were unable to satisfy themselves regarding reported assets, liabilities, revenue and expenditures, any changes in financial assets, cash flows or the accuracy or completeness of any explanatory information from the Town. This is disclosed by the auditor in the 2014 audited financial statements.

The audited financial statements do not indicate the Utility has experienced an operating deficit over the last ten years; however, in reviewing the statements, the Administrator has identified approximately \$115,000 of omissions in the annual operating costs reported.

The request did not include a rate study or application. The Administrator advised a consultant has been contracted to provide a full rate study and application, and anticipates the work being completed in May 2022.

Working Capital

As per the 2019 audited financial statements, the working capital surplus at December 31, 2019 was:

	2019
Accumulated Fund Surplus	\$261,015
Deduct tangible capital assets	\$1,593
Add long term debt	\$0
Add utility reserves	\$0
Equals Working Capital Surplus	\$259,422
Operating costs	\$140,997
20% of operating costs (target)	\$28,199

5.0 Board Findings

The Board grants approval of revised water and wastewater rates on an interim *ex parte* basis effective April 1, 2022.

Typically the Board will not consider a request for interim *ex parte* rates without an accompanying rate application. In the case of Leaf Rapids, the Board recognizes the circumstances of the Town are extraordinary and as such it was willing to consider the request.

The Board finds the Administrator has demonstrated the Utility has an urgent need for revised rates, and will require the rate application supporting the requested rates be submitted on or before July 1, 2022.

6.0 IT IS HEREBY ORDERED THAT:

1. The Town of Leaf Rapids' request for revised water and wastewater rates effective April 1, 2022 for the Leaf Rapids Water and Wastewater Utility on an interim *ex parte* basis, BE AND IS HEREBY APPROVED.
2. The Town of Leaf Rapids amend its water and wastewater rate By-Law for the Leaf Rapids Water and Wastewater Utility to reflect the decisions in this Order and submit a copy to the Public Utilities Board once it has received third and final reading.
3. The Town of Leaf Rapids provide a notice to its customers of the decisions found in this Board Order within 15 days of the date of this Order. The notice is to be prepared in consultation with Board Staff and the Town must submit a copy to the Public Utilities Board with details of distribution of the notice.
4. The Town of Leaf Rapids file a full rate application with the Public Utilities Board, on or before July 1, 2022.

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 - \$150.00

THE PUBLIC UTILITIES BOARD

"Shawn McCutcheon"
Panel Chair

"Jennifer Dubois, CPA, CMA"
Assistant Associate Secretary

Certified a true copy of Order No. 34/22
issued by The Public Utilities Board


Assistant Associate Secretary

TOWN OF LEAF RAPIDS

BY-LAW NO. 515-21

1. THAT all rates shown below shall be quarterly rates charged to the user based on the equivalent scale included below, effective as noted:

Effective April 1, 2022:

	Customer	No. of Units	General Fee	Commodity Charge		Total Quarterly
				Water	Sewer	
	Single Residence	1	\$47.63	\$113.25	\$78.75	\$239.63
	Duplex Residence	2	\$47.63	\$226.50	\$157.50	\$431.63
	Apartment Blocks	24	\$47.63	\$2,718.00	\$1,890.00	\$4,655.63
	Apartment Blocks	12	\$47.63	\$1,359.00	\$945.00	\$2351.63
Industrial and Commercial						
	Commercial A	1	\$47.63	\$113.25	\$78.75	\$239.63
	Commercial B	2	\$47.63	\$226.50	\$157.50	\$431.63
	Commercial C	3	\$47.63	\$339.75	\$236.25	\$623.63
	Commercial D	5	\$47.63	\$566.25	\$393.75	\$1,007.63
	Commercial E	10	\$47.63	\$1,132.50	\$787.50	\$1,967.63
	Commercial F	20	\$47.63	\$2,265.00	\$1,575.00	\$3,887.63
	Commercial G	40	\$47.63	\$4,530.00	\$3,150.00	\$7,727.63
	Commercial H	6	\$47.63	\$679.50	\$472.50	\$1,199.63

2. THAT a late payment charge of 1 1/4% monthly shall be charged on the dollar amount owing after the billing due date. The due date will be at least fourteen days after the mailing of the bills.
3. THAT the quarterly service and commodity charges as shown in 1. above shall be collected in advance.
4. THAT the Town of Leaf Rapids will pay to the utility an annual rental of \$100.00 for each hydrant.
5. THAT any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and the reconnection fee of one hundred dollars (\$100.00) have been paid.
6. THAT any unpaid account for sewer or water connections supplied, or work or services done or performed, in respect of the land are a lien and charge upon that land, and shall be collected in the same manner in which ordinary taxes upon the land are collectible, and with like remedies pursuant to Subsection 252(2) of The Municipal Act.

7. THAT the Public Utilities Board has approved 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 municipal office.