

**Order No. 124/23**

**MUNICIPALITY OF TWO BORDERS  
PIERSON WATER AND WASTEWATER UTILITY  
REVISED WATER AND WASTEWATER RATES**

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**OCTOBER 30, 2023**

BEFORE: Shawn McCutcheon, Panel Chair  
Jack Winram, B.A. (Econ), Panel Member

## Table of Contents

1.0	Executive Summary.....	3
2.0	Background .....	3
	Water Supply/Distribution .....	4
	Wastewater Collection/Treatment.....	4
	Unaccounted for Water .....	4
3.0	Application.....	5
	Contingency Allowance and Utility Reserves.....	7
	Working Capital Surplus/Deficit .....	7
	Cost Allocation Methodology .....	8
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 and wastewater rates for the Municipality of Two Borders (Municipality), Pierson Water and Wastewater Utility (Utility), effective January 1, 2024, January 1, 2025, January 1, 2026, and January 1, 2027.

The approved rates are as follows:

	<b>Current Rates</b>	<b>January 1, 2024</b>	<b>January 1, 2025</b>	<b>January 1, 2026</b>	<b>January 1, 2027</b>
Quarterly Service Charge	\$8.69	\$11.74	\$12.48	\$13.22	\$13.94
Water (per 1,000 gallons)	\$15.74	\$22.07	\$23.60	\$25.13	\$26.65
Wastewater (per 1,000 gallons)	\$3.59	\$4.11	\$4.24	\$4.37	\$4.49
Minimum Quarterly Charge*	\$66.68	\$90.28	\$96.00	\$101.72	\$107.36
NSF Charge	\$25.00	\$45.00	\$45.00	\$45.00	\$45.00
<b>Deficit Recovery</b>					
Rate Rider (per 1,000 gallons)	\$4.00**	\$3.29***	\$3.29	\$3.29	\$3.29
Minimum Quarterly Charge with Rate Rider	\$78.68	\$100.15	\$105.87	\$111.59	\$117.23

\*Based on 3,000 gallons.

\*\*Approved in Board Order No. 67/18, effective July 1, 2018 to June 30, 2023. To recover a 2016 actual operating deficit and 2017 anticipated operating deficit.

\*\*\*Approved in Board order No. 60/23, effective July 1, 2023 for a period of 5 years.

Details of rates are 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 Municipality owns and operates the Utility serving 118 water and wastewater customers. Rates were last approved in 2018 in Board Order No. 67/18, with current rates coming into effect January 1, 2021. Deficits were approved in the same Order of \$35,939 for 2016 and \$34,145 for 2017, to be recovered by a rate rider of \$4.00 per 1,000 gallons per customer per quarter for five years from July 1, 2018 to June 30, 2023.

The Board also approved recovery of actual operating deficits of \$7,371 for 2017, \$65,783, \$27,599 for 2018, \$8,464 for 2020, and \$6,431 for 2021, or a five-year total deficit of \$115,648, to be recovered through a combination of future surplus account funding of \$64,271 and a rate rider of \$3.29 per customer per 1,000 gallons per quarter beginning July 1, 2023 for a period of five years.

### **Water Supply/Distribution**

The water system has been in operation since approximately 1977. Many parts of the original system have been replaced or upgraded. The raw water source is groundwater from an aquifer. The water system has adequate capacity to provide existing customers with excess water, treatment, storage, and distribution.

### **Wastewater Collection/Treatment**

The wastewater treatment process is composed of three lagoon cells.

### **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 2021, unaccounted for water for the Utility has improved from 44% in 2017 to 16%. The Municipality attributes the improvement primarily to the replacement of faulty meters. The Utility conducts regular water line flushing twice per year, after power outages, and waterline breaks to minimize manganese deposits in the lines, which contributes to unaccounted for water levels.

To improve unaccounted for water, the Municipality has budgeted \$30,000 in 2023 for distribution system upgrades to replace aging infrastructure.

### 3.0 Application

On February 10, 2023, the Municipality applied for revised wastewater rates for the Utility. The application was accompanied by a rate study prepared by the Municipality's consultant and By Law No. 93/2022 having had first reading on December 20, 2022.

A Public Notice of Application was issued on February 14, 2023 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the Municipality on or before March 31, 2023. There were no responses to the Notice.

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 Municipality's application.

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

<b>Schedule of Utility Rate Requirements</b>				
<b>Municipality Two Borders – Pierson Water and Wastewater Utility</b>				
<b>2024 to 2027 Budget Forecasts (\$)</b>				
	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
	<b>Forecast</b>			
<b>General Expenses</b>				
Administration	5,316	5,476	5,640	5,809
Training	530	546	563	580
Total General Expenses	5,846	6,022	6,203	6,389
<b>Revenue</b>				
Penalties	800	800	800	800
Total General Revenues	800	800	800	800
<b>Net Costs General</b>	<b>5,046</b>	<b>5,222</b>	<b>5,403</b>	<b>5,589</b>
<b>Water Expenses</b>				
Purification and Treatment	38,796	39,960	41,159	42,394
Transmission and Distribution	7,426	7,649	7,879	8,115
Other Water Supply Costs	18,775	19,338	19,918	20,516
Amortization	5,275	5,575	5,494	5,088
Contingency	7,102	7,102	7,102	7,102
Total Water Expenses	77,374	79,624	81,552	83,215
<b>Net Costs Water</b>	<b>77,374</b>	<b>79,624</b>	<b>81,552</b>	<b>83,215</b>
<b>Wastewater Expenses</b>				
Collection System	6,365	6,556	6,753	6,956
Treatment and Disposal	2,122	2,185	2,251	2,319
Amortization	6,940	7,240	7,240	7,240
Contingency	927	927	927	927
Total Wastewater Expenses	16,354	16,908	17,171	17,442
<b>Net Costs Wastewater</b>	<b>16,354</b>	<b>16,908</b>	<b>17,171</b>	<b>17,442</b>
<b>Net Operating Costs</b>	<b>98,774</b>	<b>101,754</b>	<b>104,126</b>	<b>106,246</b>

The proposed Utility rate increases are primarily required to account for increased operating costs and eliminate the Utility's operating and working capital deficits.

## 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 Municipality has included an annual contingency allowance of \$7,102 for water and \$927 for wastewater or a total annual contingency allowance of \$8,030.

The Municipality has not included a reserve allowance in its rate application.

## 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, 2022 was:

	2022
Utility Fund Surplus/Deficit	\$256,697
Deduct: Tangible Capital Assets	(290,879)
Add: Long-Term Debt	-
Add: Utility Reserve	-
<b>Equals Working Capital Surplus (Deficit)</b>	<b>\$(34,182)</b>
Operating Expenses	79,397
<b>20% of Operating Expenses (Target)</b>	<b>\$15,879</b>

The Utility does not meet the Board minimum working capital surplus of 20% and has a shortfall of \$50,061.

## 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>Municipality of Two Borders Pierson Water and Wastewater Utility Allocation Plan for Non-Direct Shared Services (see Note 1) as at December 2022</b>			
Category	Sub-category	Options	
1.0 Administrative Staff		Activity Based (Note 1)	0.5% of general government services (as defined in Financial Plan), excluding assessment, provision for uncollected tax, and grant expenses
	1.1 Billing services – meter reading to receipting and collection.		Meter reading – N/A Receipting and collection part of admin. staff allocation
	1.2 Accounting/ auditing/ including bylaw making and enforcement.		0.5% of audit costs
	1.3 Common office space		0.5% of office cots, utilities
	1.4 Office overheads (telephone, photocopier, computer, etc.)		0.5% of printing, postage, and stationary
2.0 Operating, construction and maintenance costs			
	2.1 Vehicle – fuel, maintenance, lease costs, capital costs		32% of Public Works vehicle costs are allocated for time spent on the Utility.



	2.2 Labor – full time, part time, on call, sick time, vacation (see Note 2)		32% of two public works staff salaries are allocated for time spent on the Utility.
	2.3 Public works building and property.		Costs that could be charged to the Utility are minima and nothing is currently allocated 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.)

#### 4.0 Board Findings

The Board has reviewed the application and the projections for utility rates presented by the Municipality's consultant in its rate application and notes the calculations used to formulate the Utility's rates are not consistent with Public Utilities Board Guidelines, but instead have been designed to phase-in rates to mitigate rate-shock and high year-over-year rate increases.

The Board notes, since the last rate study in 2017 the Utility has significantly improved its financial position, however, the twelve years of neglect of the Utility by the RM prior to that time has resulted in additional deficits in 2019 and 2020. This has caused a prolonged process to stabilize the Utility's finances. The Board is concerned the ratepayers continue to experience rate increases that constitute rate shock and the resulting bill affordability issues that arise. The Board directs the RM to closely monitor the financial position of the Utility to maintain its forward financial progress and return to the Board with an application to revise the rates if for whatever reason they are determined to be insufficient.

The Board approves the rates as applied for, effective January 1, 2024, January 1, 2025, January 1, 2026, and January 1, 2027.

The Board requires the Municipality 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 July 1, 2027.

After years of neglect the process to get this utility back on track financially Utility needs to

The Board commends the Municipality for its work in reducing unaccounted for water levels from 44% to 16% and its continued work to reduce the amount to within the acceptable amount of 10%.

The Board notes the Municipality has not submitted its 2022 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. The Board directs the Municipality to submit its 2022 Audited Financial Statements as soon as they are available.

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

1. The revised water and wastewater rates for the Municipality Two Borders, Pierson Water and Wastewater Utility, BE AND ARE HEREBY APROVED in accordance with the attached Schedule A, effective January 1, 2024, January 1, 2025, January 1, 2026 and January 1, 2027.
2. The Shared Cost Allocation Methodology for the Municipality of Two Borders BE AND IS HEREBY APPROVED.
3. The Municipality of Two Borders 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 Municipality of Two Borders 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 Municipality of Two Borders review its water and wastewater rates for the Pierson 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 July 1, 2027.
6. The Municipality of Two Borders submit its 2022 Audited Financial Statements as soon as they are available.

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

"Shawn McCutcheon"  
Panel Chair

"Frederick Mykytyshyn"  
Assistant Associate Secretary

Certified a true copy of Order No. 124/23  
Issued by The Public Utilities Board

  
Assistant Associate Secretary

**SCHEDULE A**  
**MUNICIPALITY OF TWO BORDERS**  
**PIERSON WATER AND WASTEWATER UTILITY**  
**WATER AND WASTEWATER UTILITY RATES BY-LAW NO. 93/2022**  
**SCHEDULE OF QUARTERLY RATES**  
**Effective January 1, 2024**

**1. Schedule of Commodity Rates & Quarterly Service Charge January 1, 2024**

Quarterly Service Charge                      \$11.74

Quarterly Rates	Water	Wastewater	Water & Wastewater	Rate Rider
Per 1,000 Gallons	\$22.07	\$4.11	\$26.18	\$3.29

**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 & Wastewater Customers**

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Wastewater Commodity Charge	Water & Wastewater Total Quarterly Minimum	Rate Rider	Water & Wastewater Total Quarterly Minimum with Rate Rider
5/8 inch	1	3,000	\$11.74	\$66.21	\$12.33	\$90.28	\$9.87	\$100.15
3/4 inch	2	6,000	\$11.74	\$132.42	\$24.66	\$168.82	\$19.74	\$188.56
1 inch	4	12,000	\$11.74	\$264.84	\$49.32	\$325.90	\$39.48	\$365.38
1 1/2 inch	10	30,000	\$11.74	\$662.10	\$123.30	\$797.14	\$98.70	\$895.84
2 inch	25	75,000	\$11.74	\$1,655.25	\$308.25	\$1,975.24	\$246.75	\$2,221.99

**b. Water Only for Residential Customers**

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

**1. Schedule of Commodity Rates & Quarterly Service Charge January 1, 2025**

Quarterly Service Charge \$12.48

Quarterly Rates	Water	Wastewater	Water & Wastewater	Rate Rider
Per 1,000 Gallons	\$23.60	\$4.24	\$27.84	\$3.29

**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 & Wastewater Customers**

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Wastewater Commodity Charge	Water & Wastewater Total Quarterly Minimum	Rate Rider	Water & Wastewater Total Quarterly Minimum with Rate Rider
5/8 inch	1	3,000	\$12.48	\$70.80	\$12.72	\$96.00	\$9.87	\$105.87
3/4 inch	2	6,000	\$12.48	\$141.60	\$25.44	\$179.52	\$19.74	\$199.26
1 inch	4	12,000	\$12.48	\$283.20	\$50.88	\$346.56	\$39.48	\$386.04
1 1/2 inch	10	30,000	\$12.48	\$708.00	\$127.20	\$847.68	\$98.70	\$946.38
2 inch	25	75,000	\$12.48	\$1,770.00	\$318.00	\$2,100.48	\$246.75	\$2,347.23

**b. Water Only for Residential Customers**

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

**1. Schedule of Commodity Rates & Quarterly Service Charge January 1, 2026**

Quarterly Service Charge \$13.22

Quarterly Rates	Water	Wastewater	Water & Wastewater	Rate Rider
Per 1,000 Gallons	\$25.13	\$4.37	\$29.50	\$3.29

**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 & Wastewater Customers**

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Wastewater Commodity Charge	Water & Wastewater Total Quarterly Minimum	Rate Rider	Water & Wastewater Total Quarterly Minimum with Rate Rider
5/8 inch	1	3,000	\$13.22	\$75.39	\$13.11	\$101.72	\$9.87	\$111.59
3/4 inch	2	6,000	\$13.22	\$150.78	\$26.22	\$190.22	\$19.74	\$209.96
1 inch	4	12,000	\$13.22	\$301.56	\$52.44	\$367.22	\$39.48	\$406.70
1 1/2 inch	10	30,000	\$13.22	\$753.90	\$131.10	\$898.22	\$98.70	\$996.92
2 inch	25	75,000	\$13.22	\$1,884.75	\$327.75	\$2,225.72	\$246.75	\$2,472.47

**b. Water Only for Residential Customers**

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

**1. Schedule of Commodity Rates & Quarterly Service Charge January 1, 2027**

Quarterly Service Charge \$13.94

Quarterly Rates	Water	Wastewater	Water & Wastewater	Rate Rider
Per 1,000 Gallons	\$26.65	\$4.49	\$31.14	\$3.29

**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 & Wastewater Customers**

Meter Size	Group Capacity Ratio	Water Included Gallons	Customer Service Charge	Water Commodity Charge	Wastewater Commodity Charge	Water & Wastewater Total Quarterly Minimum	Rate Rider	Water & Wastewater Total Quarterly Minimum with Rate Rider
5/8 inch	1	3,000	\$13.94	\$79.95	\$13.47	\$107.36	\$9.87	\$117.23
¾ inch	2	6,000	\$13.94	\$159.90	\$26.94	\$200.78	\$19.74	\$220.52
1 inch	4	12,000	\$13.94	\$319.80	\$53.88	\$387.62	\$39.48	\$427.10
1 ½ inch	10	30,000	\$13.94	\$799.50	\$134.70	\$948.14	\$98.70	\$1,046.84
2 inch	25	75,000	\$13.94	\$1,998.75	\$336.75	\$2,349.44	\$246.75	\$2,596.19

**b. Water Only for Residential Customers**

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

The following clauses take effect January 1, 2024:

**3. Service To Customers Outside Utility's Limits**

The Council of the Municipality of Two Borders may sign Agreements with customers for the provision of water and wastewater services to properties located outside the boundaries of the Local Improvement District of Pierson. 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 Local Improvement District of Pierson 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 30 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. NSF Charge**

A charge of \$25.00 shall be added to the account when payment made by cheque or pre-authorized payment is returned due to insufficient funds or inability to trace the chequing account.

**6. 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.

**7. 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 (i.e. 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 \$100.00 and all arrears and penalties, if any, have been paid.



**8. Outstanding Bills**

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

**9. Hydrant Charges**

At present the fire hydrants provided by the Utility are used for water line flushing purposes and are not suitable for fire protection purposes due to low water pressure. Any customer with a hydrant connected to the system shall pay \$150.00 per hydrant connected.

**10. Water Allowance Due To Line Freezing**

That in any case where, at the request of the CAO, 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.

**11. 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.

**12. 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 \$200.00. 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.

**13. 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.

**14. Conditions of Disrepair**

In the event that there are conditions of disrepair in the wastewater and 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.

**15. 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.