

Order No. 71/23

**MUNICIPALITY OF NORTH NORFOLK
AUSTIN WATER AND WASTEWATER UTILITY
REVISED WATER AND WASTEWATER RATES EFFECTIVE FEBRUARY 1, 2024, 2025,
2026, AND 2027
AND 2021 ACTUAL OPERATING DEFICIT**

JUNE 20, 2023

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

Table of Contents

1.0	Executive Summary.....	3
2.0	Background	4
	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
	Deficits.....	9
4.0	Board Findings	10
5.0	IT IS HEREBY ORDERED THAT:.....	11
	SCHEDULE A.....	13

1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves the revised water and wastewater rates for the Municipality of North Norfolk (Municipality), Austin Water and Wastewater Utility (Utility), effective February 1, 2024, 2025, 2026, and 2027.

The approved rates are as follows:

	Current Rates	February 1, 2024	February 1, 2025	February 1, 2026	February 1, 2027
Quarterly Service Charge	\$15.00	\$14.66	\$14.32	\$13.98	\$13.62
Water (per cubic meter)	\$3.86	\$3.89	\$3.92	\$3.95	\$3.98
Wastewater (per cubic meter)	\$0.72	\$0.90	\$1.08	\$1.26	\$1.45
Minimum Quarterly Charge*	\$79.12	\$81.72	\$84.32	\$86.92	\$89.64
Wastewater Only Customers**	\$39.48	\$42.56	\$47.80	\$53.04	\$58.57
Bulk Water (per 1,000 gallons)	\$17.15	\$19.00	\$19.25	\$19.50	\$19.75

*Based on 14 cubic meters.

**Current quarterly rate based on 34 cubic meters; revised rates based on 31 cubic meters.

The Board also approves the Municipality's request for recovery of a 2021 actual operating deficit of \$20,820, when calculated for regulatory purposes, incurred by the Utility to be recovered from the Utility's future Accumulated Fund Surplus.

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 Municipality owns and operates the Utility serving 210 metered water and wastewater customers and 3 unmetered wastewater only customers (or a total of 213 customers). Rates were last approved for the Utility in 2019 in Board Order No. 71/17, with the last increase occurring January 1, 2020. The Board approved authority for the Utility to pass through water rate increases for water purchased from the Yellowhead Regional Water Co-op in Board Order No. 100/21.

Water Supply/Distribution

The water distribution system was installed in 1974 and has had various upgrades to date. The Utility purchases treated water from the Yellowhead Regional Water Co-op. All water customers are metered and billed quarterly.

Wastewater Collection/Treatment

The wastewater collection system was also installed in 1974. It includes two lift stations and uses a central location as the main station for pumping into the wastewater lagoon.

The wastewater lagoon is a two-cell conventional facultative lagoon, consisting of a single primary cell and a single secondary cell. The wastewater lagoon was constructed and began operations in 1974. The Municipality is planning to add a new cell to the wastewater lagoon in 2015. The capital project is planned to be funded by \$750,000 in debenture debt and a \$750,000 grant from the Manitoba Water Services Board (MWSB).

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 is 8%, which is within the acceptable percentage.

3.0 Application

On September 2, 2022, the Municipality applied for revised wastewater rates for the Utility. The Municipality also applied for the recovery of a 2021 actual operating deficit, when calculated for regulatory purposes, in the amount of \$20,820, requested to be recovered from future Utility Accumulated Fund Surplus. The applications were accompanied by a rate study prepared by the Municipality's consultant and By-Law No. 94-2022 read for the first time on August 10, 2022 and Council Resolution Number 273/2022.

A Public Notice of Application was issued on September 12, 2022 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the Municipality on or before October 27, 2022. There were no responses were received 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:

Schedule of Utility Rate Requirements Municipality of North Norfolk – Austin Water and Wastewater Utility 2024 to 2027 Budget Forecasts (\$)				
	2024	2025	2026	2027
	Forecast			
General Expenses				
Administration	9,752	10,044	10,346	10,656
Total General Expenses	9,752	10,044	10,346	10,656
Revenue				
Penalties	944	944	944	944
Other Income	185	185	185	185
Total General Revenues	1,129	1,129	1,129	1,129
Net Costs General	8,623	8,915	9,217	9,527
Water Expenses				
Water Purchases	65,648	65,648	65,648	65,648
Transmission and Distribution	43,709	45,020	46,371	47,762
Amortization	6,313	6,313	5,857	1,699
Reserves	-	-	-	-
Contingency	9,087	9,087	9,087	9,087
Total Water Expenses	124,757	126,068	126,963	124,196
Revenue				
Bulk Water Fees	8,518	8,692	8,805	10,830
Hydrant Rentals	3,795	3,795	3,795	3,795
Man. Water Services Board	7,920	7,920	7,920	7,920
Total Water Revenues	20,233	20,407	20,520	22,545
Net Costs Water	104,524	105,661	106,443	101,651
Wastewater Expenses				
Collection System	5,994	6,174	6,359	6,550
Treatment and Disposal	1,061	1,093	1,126	1,159
Lift Station	12,731	13,113	13,506	13,911
Other Collection and Disposal	589	607	625	644
Amortization	12,848	9,201	38,807	38,033
Interest on Long-Term Debt	-	-	22,969	22,353
Reserves	-	-	-	-
Contingency	2,226	2,226	2,226	2,226
Total Wastewater Expenses	35,449	32,414	85,618	84,876
Revenue				

Property Tax	-	-	37,027	37,027
Total Wastewater Revenues	-	-	37,027	37,027
Net Costs Wastewater	35,449	32,414	48,591	47,849
Net Operating Costs	148,596	146,990	164,251	159,027

The proposed Utility rate increases are primarily required to provide for increased administration expenses, inflationary water operating expenses, and increased wastewater amortization expenses due to a planned lagoon expansion project in 2025.

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 \$9,087 per year for water and \$2,226 per year for wastewater or a total annual contingency allowance of \$11,313.

The Municipality has not included an annual reserve allowance. The Municipality's rate study notes, the Utility's existing Reserve Fund combined with future, forecasted increases in working capital surplus should be sufficient to provide for any future capital projects.

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 deficit for the Utility at December 31, 2021 was:

	2021
Utility Fund Surplus/Deficit	\$84,949
Deduct: Tangible Capital Assets	(311,279)
Add: Long-Term Debt	-
Add: Utility Reserve	180,854
Equals Working Capital Surplus (Deficit)	\$(45,476)
Operating Expenses	143,435
20% of Operating Expenses (Target)	\$28,687

The Utility does not meet 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 Municipality's allocation plan for shared costs is as follows:

Municipality of North Norfolk Austin Water and Wastewater Utility Allocation Plan for Non-Direct Shared Services (see Note 1) as at August 2022			
Category	Sub-category	Options	
1.0 Administrative Staff			1.5% 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 is part of admin. staff allocation
	1.2 Accounting/ auditing/ including bylaw making and enforcement.		1.5% of audit costs

	1.3 Common office space		1.5% of office cots, utilities
	1.4 Office overheads (telephone, photocopier, computer, etc.)		1.5% of printing, postage, and stationary
2.0 Operating, construction and maintenance costs			
	2.1 Vehicle – fuel, maintenance, lease costs, capital costs		Applicable vehicle costs are charged to the Utility.
	2.2 Labor – full time, part time, on call, sick time, vacation (see Note 2)		Based on actual costs.
	2.3 Public works building and property.		Costs that could be charged to the Utility are minimal and at present, nothing is allocated to the Utility.
	2.4 Road repairs and alike (see Note 3)		Based on actual costs.
3.0 Major projects			
	Interest/ financing		Debenture Debt
	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 Municipality applied for the recovery of a 2021 actual operating deficit of \$20,820 to be recovered from the Utility's future Accumulated Fund Surplus. The Deficit Application noted the deficit was due to a \$40,069 loss on the disposal of tangible capital assets (i.e. a wastewater lagoon study that did not go forward).

4.0 Board Findings

The Board has reviewed the application and the projections for utility rates presented by the Municipality's consultant in the rate study and finds them to be reasonable.

The Board approves the rates as applied for by the Municipality effective February 1, 2024, 2025, 2026, and 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 December 31, 2027.

The Board notes the Utility has included forecasted taxation revenues of \$33,027 for the noted addition of a third lagoon cell beginning in 2025. The Board directs the Municipality to be cognizant the expiring taxation revenue and to ensure it plans for its expiration accordingly in its future rate applications.

Deficit

The Board has also reviewed the Municipality's deficit application and notes that as per the Municipality's forecasts included in the rate study, the Utility will comply with the Board's minimum working capital surplus requirement of 20% of annual expenses by 2026/2027. The Board therefore approves the 2021 actual operating deficit in the amount of \$20,820, when calculated for regulatory purposes, to be recovered from the Utility's future Accumulated Fund Surplus.

5.0 IT IS HEREBY ORDERED THAT:

1. The revised water and wastewater rates for the Municipality of North Norfolk, Austin Water and Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule A, effective February 1, 2024, 2025, 2026, and 2027.
2. The Shared Cost Allocation Methodology for the Municipality of North Norfolk BE AND IS HEREBY APPROVED.
3. The Municipality of North Norfolk 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 North Norfolk 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 North Norfolk review its water and wastewater rates for the Austin 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, 2027.
6. The actual operating deficit, when calculated for regulatory purposes, in the amount of \$20,820, incurred by the Municipality of North Norfolk, Austin Water and Wastewater Utility, is HEREBY APPROVED to be recovered through the Utility's future Accumulated Fund Surplus.

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

"Marilyn Kapitany"
Panel Chair

"Frederick Mykytyshyn"
Assistant Associate Secretary

Certified a true copy of Order No. 71/23
Issued by The Public Utilities Board



Assistant Associate Secretary

SCHEDULE A
MUNICIPALITY OF NORTH NORFOLK
AUSTIN WATER AND WASTEWATER UTILITY
WATER AND WASTEWATER UTILITY RATES BY-LAW NO. 94-2022
SCHEDULE OF QUARTERLY RATES
Effective February 1, 2024

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

Quarterly Service Charge \$14.66

Quarterly Rates	Water	Wastewater	Water & Wastewater
Per Cubic Meter	\$3.89	\$0.90	\$4.79

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

	Group	Water	Customer	Water	Wastewater	Water & Wastewater
	Capacity	Included	Service	Commodity	Commodity	Total Quarterly
Meter Size	Ratio	Cubic Meters	Charge	Charge	Charge	Minimum
5/8 inch	1	14	\$14.66	\$54.46	\$12.60	\$81.72
3/4 inch	2	28	\$14.66	\$108.92	\$25.20	\$148.78
1 inch	4	56	\$14.66	\$217.84	\$50.40	\$282.90
1 ½ inch	10	140	\$14.66	\$544.60	\$126.00	\$685.26
2 inch	25	350	\$14.66	\$1,361.50	\$315.00	\$1,691.16

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.

c. Wastewater Only for Residential Customers

The quarterly commodity charge, based on the average residential water consumption in the community of 31 cubic meters, shall be \$42.56 (31 x \$0.90 + \$14.66).

3. Bulk Water Sales

All water sold in bulk by the Austin Utility will be charged at the rate of \$19.00 per 1,000 gallons.

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

Quarterly Service Charge \$14.32

Quarterly Rates	Water	Wastewater	Water & Wastewater
Per Cubic Meter	\$3.92	\$1.08	\$5.00

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 Cubic Meters	Customer Service Charge	Water Commodity Charge	Wastewater Commodity Charge	Water & Wastewater Total Quarterly Minimum
5/8 inch	1	14	\$14.32	\$54.88	\$15.12	\$84.32
3/4 inch	2	28	\$14.32	\$109.76	\$30.24	\$154.32
1 inch	4	56	\$14.32	\$219.52	\$60.48	\$294.32
1 ½ inch	10	140	\$14.32	\$548.80	\$151.20	\$714.32
2 inch	25	350	\$14.32	\$1,372.00	\$378.00	\$1,764.32

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.

c. Wastewater Only for Residential Customers

The quarterly commodity charge, based on the average residential water consumption in the community of 31 cubic meters, shall be \$47.80 (31 x \$1.08 + \$14.32).

3. Bulk Water Sales

All water sold in bulk by the Austin Utility will be charged at the rate of \$19.25 per 1,000 gallons.

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

Quarterly Service Charge \$13.98

Quarterly Rates	Water	Wastewater	Water & Wastewater
Per Cubic Meter	\$3.95	\$1.26	\$5.21

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 Cubic Meters	Customer Service Charge	Water Commodity Charge	Wastewater Commodity Charge	Water & Wastewater Total Quarterly Minimum
5/8 inch	1	14	\$13.98	\$55.30	\$17.64	\$86.92
3/4 inch	2	28	\$13.98	\$110.60	\$35.28	\$159.86
1 inch	4	56	\$13.98	\$221.20	\$70.56	\$305.74
1 ½ inch	10	140	\$13.98	\$553.00	\$176.40	\$743.38
2 inch	25	350	\$13.98	\$1,382.50	\$441.00	\$1,837.48

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.

c. Wastewater Only for Residential Customers

The quarterly commodity charge, based on the average residential water consumption in the community of 31 cubic meters, shall be \$53.04 (31 x \$1.26 + \$13.98).

3. Bulk Water Sales

All water sold in bulk by the Austin Utility will be charged at the rate of \$19.50 per 1,000 gallons.

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

Quarterly Service Charge \$13.62

Quarterly Rates	Water	Wastewater	Water & Wastewater
Per Cubic Meter	\$3.98	\$1.45	\$5.43

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

	Group	Water	Customer	Water	Wastewater	Water & Wastewater
	Capacity	Included	Service	Commodity	Commodity	Total Quarterly
Meter Size	Ratio	Cubic Meters	Charge	Charge	Charge	Minimum
5/8 inch	1	14	\$13.62	\$55.72	\$20.30	\$89.64
3/4 inch	2	28	\$13.62	\$111.44	\$40.60	\$165.66
1 inch	4	56	\$13.62	\$222.88	\$81.20	\$317.70
1 ½ inch	10	140	\$13.62	\$557.20	\$203.00	\$773.82
2 inch	25	350	\$13.62	\$1,393.00	\$507.50	\$1,914.12

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.

c. Wastewater Only for Residential Customers

The quarterly commodity charge, based on the average residential water consumption in the community of 31 cubic meters, shall be \$58.57 (31 x \$1.45 + \$13.62).

3. Bulk Water Sales

All water sold in bulk by the Austin Utility will be charged at the rate of \$19.75 per 1,000 gallons.

The following clauses take effect February 1, 2024:

4. Service To Customers Outside LUD of Austin Limits

The Council of the Municipality of North Norfolk may sign Agreements with customers for the provision of water and wastewater services to properties located outside the boundaries of the LUD of Austin. 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 boundaries of the municipality. 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

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% per month shall be charged on the dollar amount owing after the billing due date.

6. Disconnection for Non-Payment

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. Disconnection / Reconnection at Customer Request

Any request for the reconnection of service, 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.), or the disconnection of service not related to non-payment, shall not be completed until a fee of \$50.00 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.

Where charges and penalties pursuant to this by-law are not paid within sixty (60) days from the date when they were incurred, said charges and penalties shall be added to the taxes on the property and collected in the same manner as other taxes.

9. Hydrant Charges

The Municipality of North Norfolk will pay to the utility an annual rental of \$165.00 for each hydrant connected to the system.

10. 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.

11. Meter Testing

Any customer wishing to have a meter tested for accuracy will pay in advance a fee of \$50.00, plus any applicable meter testing costs. In the event that the meter tests prove that the meter is recording water flows in excess of actual flows, the meter testing fee and associated costs will be refunded to the customer, and the customer's account will be reviewed and adjusted accordingly.

12. Meter Tampering

Where there is evidence of meter tampering, a minimum charge of \$500.00 will be applied to the customer's account in addition to an amount calculated to adjust for the tampering based on historical usage.

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.