

Order No. 84/23

**MUNICIPALITY OF NORTH NORFOLK
RURAL WATER UTILITY
REVISED WATER RATES EFFECTIVE AUGUST 1, 2023
2017 ACTUAL OPERATING DEFICIT**

JULY 21, 2023

**BEFORE: Irene Hamilton, K.C., Panel Chair
Susan Boulter, Panel Member**

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1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves the revised water rates for the Municipality of North Norfolk (Municipality), Rural Water Utility (Utility), effective August 1, 2023, February 1, 2024, February 1, 2025, and February 1, 2026.

The approved rates are as follows:

	Current Rates	August 1, 2023	February 1, 2024	February 1, 2025	February 1, 2026
Quarterly Service Charge	\$25.51	\$25.66	\$25.81	\$25.96	\$26.11
Water (per cubic meter)*	\$13.44	\$3.15	\$3.34	\$3.53	\$3.72
Minimum Quarterly Charge**	\$65.83	\$69.76	\$72.57	\$75.38	\$78.19

*Current rates based on 1,000 gallons. Approved rates based on 1 cubic meter.

**Current Rates based on 3,000 gallons, proposed rates based on 14 cubic meters.

The Board also approves the Municipality's request for recovery of a 2017 actual operating deficit of \$123,169, when calculated for regulatory purposes, incurred by the Utility due to a billing error by the Yellowhead Regional Water Co-op (YRWC) that was fully recovered and corrected by a repayment by YRWC in 2019.

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 265 metered water customers. Rates were last approved for the Utility in 2017 in Board Order No. 69/17, 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 system was installed in 2006/07. The Utility purchases treated water from the Yellowhead Regional Water Co-op.

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.

The rate study reported unaccounted for water of **-5.0%** in 2020.

3.0 Application

On September 27, 2022, the Municipality applied for revised water rates for the Utility. The Municipality also applied for the recovery of a 2017 actual operating deficit of \$123,169, when calculated for regulatory purposes, requested to be recovered by a by a repayment by YRWC in 2019. The applications were accompanied by a rate study prepared by the Municipality's consultant and By-Law No. 93/2022 read for the first time on August 10, 2022 and Council Resolution Number 272/2022.

A Public Notice of Application was issued on October 3, 2022 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the Municipality on or before November 17, 2022. There were no responses 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 – Rural Water Utility 2023 to 2026 Budget Forecasts (\$)				
	2023	2024	2025	2026
	Forecast			
General Expenses				
Administration	22,956	23,645	24,354	25,085
Total General Expenses	22,956	23,645	24,354	25,085
Revenue				
Penalties	2,055	2,055	2,055	2,055
Total General Revenues	2,055	2,055	2,055	2,055
Net Costs General	20,901	21,590	22,299	23,030
Water				

Expenses					
	Water Purchases	225,951	225,951	225,951	225,951
	Purification and Treatment	15,965	16,444	16,937	17,445
	Transmission and Distribution	71,149	73,284	75,482	77,747
	Amortization	149,772	149,772	149,772	149,772
	Interest on Long-Term Debt	10,108	8,365	6,555	4,674
	Reserves	-	-	-	-
	Contingency	28,771	28,771	28,771	28,771
	Total Water Expenses	501,716	502,587	503,468	475,589
Revenue					
	Man. Water Services Board	30,597	31,515	32,461	33,435
	Property Taxes	55,598	55,598	55,598	40,927
	Total Water Revenues	86,195	87,113	88,059	74,362
	Net Costs Water	415,521	415,474	415,409	401,227
	Net Operating Costs	436,422	437,064	437,708	424,257

The proposed Utility rate increases are primarily due to increase water operating costs.

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 \$28,771 per year.

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 balance 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 2022 Audited Financial Statements, the most recent information available, the working capital deficit for the Utility at December 31, 2022 was:

	2022	2019
Utility Fund Surplus/Deficit	\$4,912,445	\$5,187,861
Deduct: Tangible Capital Assets	(6,015,960)	(6,459,524)
Add: Long-Term Debt	255,075	413,724
Add: Utility Reserve	619,481	552,860
Equals Working Capital Surplus (Deficit)	\$(228,959)	\$(305,078)
Operating Expenses	688,925	439,156
20% of Operating Expenses (Target)	\$137,785	\$87,831

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 Rural Water Utility Allocation Plan for Non-Direct Shared Services (see Note 1) as at August 2022		
Category	Sub-category	Options
1.0 Administrative Staff		3.5% 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.	3.5% of audit costs

	1.3 Common office space		3.5% of office cots, utilities
	1.4 Office overheads (telephone, photocopier, computer, etc.)		3.5% 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 2017 actual operating deficit of \$123,169, when calculated for regulatory purposes, requested to be recovered by a by a repayment by YRWC in 2019. The Deficit Application notes the deficit was due to an overcharge by YRWC resulting from faulty meters, which have been replaced since the faulty meters were discovered.

4.0 Board Findings

The Board has reviewed the application and the projections presented by the Municipality 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 approves the rates as applied for, effective August 1, 2023, February 1, 2024, 2025, and 2026.

The Board requires the Municipality to review its water 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, 2026.

The Board notes the Utility has included forecasted taxation revenues of \$40,927 in its rate calculations. 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 approves the 2017 actual operating deficit of \$123,169, when calculated for regulatory purposes, requested to be recovered by a by the repayment by YRWC in 2019.

The Board notes, as per the 2022 Audited Financial Statements, the Utility has incurred a deficit in 2022. 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 Board therefore directs the Municipality to file a Deficit Application and recovery methodology for the 2022 deficit as soon as possible.

Unaccounted for Water

The Board has reviewed the Municipality's commentary on unaccounted for water and notes that the 2020 reported figure of **-5.0%** is not logical and does not provide an accurate reporting on unaccounted for water for that year. The Board notes that the Municipality advises the irregular figure is due to the Utility billing cycle not aligning with the billing cycle for water purchased from YRWC.

The Board recommends the Municipality work with YRWC to normalize the two billing cycles to determine an accurate, annual figure for unaccounted for water levels. The Board notes that an inability to determine unaccounted for water hinders a utility's ability to identify and take action to reduce system water loss and mitigate increased water rates due to system inefficiencies.

5.0 IT IS HEREBY ORDERED THAT:

1. The revised water rates for the Municipality of North Norfolk, Rural Water Utility, BE AND ARE HEREBY VARIED in accordance with the attached Schedule A, effective August 1, 2023, February 1, 2024, February 1, 2025, and February 1, 2026.
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 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 rates for the Rural Water 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, 2026.
6. The actual operating deficit, when calculated for regulatory purposes, in the amount of \$123,169 for 2017, incurred by the Municipality of North Norfolk, Rural Water Utility, is HEREBY APPROVED to be recovered through the repayment by the Yellowhead Regional Water Co-op that occurred in 2019.
7. The Municipality of North Norfolk file a Deficit Application and recovery methodology for the 2022 actual operating deficit for the Rural Water Utility as soon as possible.

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, K.C."

Panel Chair

"Frederick Mykytyshyn"

Assistant Associate Secretary

Certified a true copy of Order No. 84/23

Issued by The Public Utilities Board



Assistant Associate Secretary

**SCHEDULE A
MUNICIPALITY OF NORTH NORFOLK
RURAL WATER UTILITY
WATER UTILITY RATES BY-LAW NO. 93/2022
SCHEDULE OF QUARTERLY RATES
Effective August 1, 2023**

1. Schedule of Commodity Rates & Quarterly Service Charge August 1, 2023

Quarterly Service Charge \$25.66

Quarterly Rates	Water
Per Cubic Meter	\$3.15

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 Customers

Meter Size	Group Capacity Ratio	Water Included Cubic Meters	Customer Service Charge	Water Commodity Charge	Water Total Quarterly Minimum
5/8 inch	1	14	\$25.66	\$44.10	\$69.76
¾ inch	2	28	\$25.66	\$88.20	\$113.86
1 inch	4	56	\$25.66	\$176.40	\$202.06
1 ½ inch	10	140	\$25.66	\$441.00	\$466.66
2 inch	25	350	\$25.66	\$1,102.50	\$1,128.16

1. Schedule of Commodity Rates & Quarterly Service Charge

February 1, 2024

Quarterly Service Charge \$25.81

Quarterly Rates Water
 Per Cubic Meter \$3.34

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 Customers

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included Cubic Meters</u>	<u>Customer Service Charge</u>	<u>Water Commodity Charge</u>	<u>Water Total Quarterly Minimum</u>
5/8 inch	1	14	\$25.81	\$46.76	\$72.57
¾ inch	2	28	\$25.81	\$93.52	\$119.33
1 inch	4	56	\$25.81	\$187.04	\$212.85
1 ½ inch	10	140	\$25.81	\$467.60	\$493.41
2 inch	25	350	\$25.81	\$1,169.00	\$1,194.81

1. Schedule of Commodity Rates & Quarterly Service Charge

February 1, 2025

Quarterly Service Charge \$25.96

Quarterly Rates Water
 Per Cubic Meter \$3.53

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 Customers

	Group Capacity	Water Included	Customer Service	Water Commodity	Water Total Quarterly
Meter Size	Ratio	Cubic Meters	Charge	Charge	Minimum
5/8 inch	1	14	\$25.96	\$49.42	\$75.38
¾ inch	2	28	\$25.96	\$98.84	\$124.80
1 inch	4	56	\$25.96	\$197.68	\$223.64
1 ½ inch	10	140	\$25.96	\$494.20	\$520.16
2 inch	25	350	\$25.96	\$1,235.50	\$1,261.46

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

Quarterly Service Charge \$26.11

Quarterly Rates Water
Per Cubic Meter \$3.72

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 Customers

<u>Meter Size</u>	<u>Group Capacity Ratio</u>	<u>Water Included Cubic Meters</u>	<u>Customer Service Charge</u>	<u>Water Commodity Charge</u>	<u>Water Total Quarterly Minimum</u>
5/8 inch	1	14	\$26.11	\$52.08	\$78.19
¾ inch	2	28	\$26.11	\$104.16	\$130.27
1 inch	4	56	\$26.11	\$208.32	\$234.43
1 ½ inch	10	140	\$26.11	\$520.80	\$546.91
2 inch	25	350	\$26.11	\$1,302.00	\$1,328.11

The following clauses take effect August 1, 2023:

3. Service To Customers Outside Utility's Limits

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

4. 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.

5. 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.

4. 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 (ie. 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.

6. Outstanding Bills

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

7. 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.

8. 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.

9. 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.

10. Conditions of Disrepair

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

11. 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.