

Order No. 98/23

**RURAL MUNICIPALITY OF WOODLANDS
WOODLANDS WASTEWATER UTILITY
WASTEWATER RATES**

August 22, 2023

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

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1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) grants approval of the Rural Municipality of Woodlands (RM), Woodlands Utility's (Utility) application for revised wastewater rates.

The revised rates are below:

	Oct 1, 2023	Oct 1, 2024	Oct 1, 2025
Quarterly Service Charge	\$ 9.20	\$ 9.48	\$ 9.76
Wastewater (per REU)	\$ 88.67	\$ 91.67	\$ 94.69
Minimum Quarterly Charge*	\$ 97.87	\$ 101.15	\$ 104.45
Lagoon Tipping Fee**	\$ 13.40	\$ 13.80	\$ 14.20
Annual Lagoon Licence Fee (per key)	\$ 100.00	\$ 100.00	\$ 100.00
Replacement Lagoon Key Fee	\$ 250.00	\$ 250.00	\$ 250.00

*based on one Residential Equivalency Unit (REU)

**current lagoon tipping fee approved in Board Order No. 61/17

Details of other rates can be found in Schedule A.

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

2.0 Background

The RM owns and operates a wastewater utility in the community of Woodlands. Rates were last set in Board Order No. 138/12, with current rates coming into effect January 1, 2014.

The Utility provides wastewater service to 133 customers.

Wastewater Collection and Treatment

The Woodlands wastewater system includes a gravity flow system with PVC wastewater lines (1996), one lift station (1978) and a 2-cell lagoon (2002) and a low-pressure system including the wastewater main line. Waterlines were installed at the same time as the wastewater lines, however the waterlines have never been used. Residents of Woodlands obtain their water from private wells.

All wastewater collected is treated in the Woodlands lagoon. The Woodlands lagoon was updated in 2017, including a second line installed directly to the lagoon to service a few residential and commercial customers. Following the lagoon expansion, the lagoon was opened to outside haulers, of which the Woodlands utility charges a tipping fee approved in PUB Order No. 61/17.

The Woodlands lagoon is monitored by a key system that records entry into the lagoon resulting in a charge to septic tank haulers. The lagoon tipping fee (per load) as of June 30, 2017 is \$13.00. Currently, the utility has agreements with 6 companies for lagoon tipping.

3.0 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.

Where there is an urgent need for initial or revised rates and the Board determines it to be in the best interest of all parties, the Board may establish interim *ex parte* rates.

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.

Residential Equivalency Units (REUs)

One REU is the estimate of the volume of wastewater produced 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.

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 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.

4.0 Application

On May 26, 2022 the Board received the RM's application to revise wastewater rates as set out in By-law No. 2756/22, having had first reading May 10, 2022.

The application was accompanied by a rate study completed by the RM's consultant. Rates were last approved in Board Order No. 139/12, with current rates coming into effective January 1, 2014.

The Board issued a Public Notice of Application on August 15, 2022 affording customers the opportunity to comment to both the Board and the RM with respect to the proposed rate changes. The Board did not receive any responses to the Notice.

The Utility advises that the number of Residential Equivalency Units (REUs) assigned is 223.5. There are 121 residential customers assigned one REU each, and 12 non-residential customers assigned from one to 40 REUs, based on the Utility's assessment of wastewater volume used as compared to a residential customer.

The rates were calculated using the following revenue requirement projections:

	Rate Year 1	Rate Year 2	Rate Year 3
General			
Administration (building, office, staff, etc)	5,515	5,680	5,850
Total general expenses	5,515	5,680	5,850
Penalties	618	637	656
Total general revenue	618	637	656
Net revenue requirement - general	4,897	5,044	5,195
Wastewater			
Installation Service	150	150	150
Service of supply	7,210	7,426	7,649
Lift station costs	5,150	5,305	5,464
Sewage treatment and disposal	577	594	612
Other sewage collection & disposal costs	1,545	1,591	1,639
Amortization	66,488	66,488	66,488
Interest on long term debt	873	808	741
Line flushing	13,390	13,792	14,205
Reserves	14,000	16,000	18,000
Contingency	5,000	5,000	5,000
Total wastewater expenses	114,383	117,154	119,948
Lagoon tipping fees	3,090	3,183	3,278
Amortization of capital grants	29,530	29,530	29,530
Taxation revenue	2,492	2,492	2,492
Total wastewater revenue	35,112	35,205	35,300
Net revenue requirement - wastewater	79,271	81,950	84,648

Contingency Allowance and Utility Reserves

The RM has included in its projections a contingency allowance of \$5,000 per year and a total of \$48,000 of reserves in its projections.

Working Capital

As per the 2021 audited financial statements, the working capital surplus at December 31, 2021 was:

	2021
Accumulated Fund Surplus	\$2,175,156
Deduct tangible capital assets	\$1,863,069
Add long term debt	\$23,384
Add utility reserves	\$97,327
Equals Working Capital Surplus	\$432,798
Total utility expenses	\$99,435
20% of total utility expenses (target)	\$19,887

Operating Deficits

The RM has advised the Utility has not experienced any operating deficits in the previous five years of operation.

Cost Allocation Methodology

The Board approved the Utility's current Cost Allocation Methodology (CAM) in Board Order No. 138/12. The RM did not propose any changes to the existing CAM.

5.0 Board Findings

Considering the RM's filing and noting there was no public response to the Notice of Application, the Board has chosen a paper review process.

The Board has reviewed the application and revenue projections presented by the RM and finds the projections to be reasonable. The Board grants approval of the wastewater rates applied for by the RM for the Woodlands Utility effective October 1, 2023, 2024 and 2025.

The Board will note for future applications, the RM should review the Board Guidelines regarding contingencies. The guidelines recommend 10% of variable operating costs, and in the RM's rate study it used 10% of variable and fixed operating costs. Given the extensive capital projects contained in the RM's 2023 Financial Plan, the Board finds the larger contingency to be reasonable, as any funds unused for contingency purposes will serve utility customers for reserves or future operating needs; however, the RM should be aware of the appropriate methodology for future applications.

The five year capital expenditure report contained in the RM's 2023 Financial Plan indicates the Woodlands Utility planned a \$3,300,000 capital project in 2023. The rates approved in this Order did not include an increase in amortization expense for this project. Upon completion of the project, the RM should review its financial position and determine if the rates remain appropriate. The large provisions for contingency and reserves approved in this rate review may support the increase in amortization expense without further action.

The Board directs the RM to review its wastewater rates for adequacy and file a report with the Board, as well as an application for revised rates if required, by no later than June 30, 2026.

The Board directs the RM to prepare a Notice for its ratepayers, informing them of the decisions in this Order. The RM is also directed to file with the Board a copy of this Notice and an amended rate By-law, having had third reading.

The Board reminds the RM regular reviews are important for a financially sound utility and encourages the RM to review Board Order Nos. 27/23 and 86/17 for future rate applications. The Order outlines the Simplified Rate Application Process for municipally owned public utilities. If, after its rate review, the RM finds it meets the designated criteria for a simplified rate application, it should apply for future rates using the Simplified Rate Application Process.

6.0 IT IS THEREFORE ORDERED THAT:

1. The wastewater rates for the Rural Municipality of Woodlands – Woodlands Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule A, effective October 1, 2023, 2024 and 2025.
2. The Rural Municipality of Woodlands amend its Woodlands Wastewater Utility 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.
3. The Rural Municipality of Woodlands is to provide a notice of the decisions found in this Order to its customers as soon as possible, with a copy to the Public Utilities Board.
4. The Rural Municipality of Woodlands review the Woodlands Wastewater Utility rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates (if applicable), on or before June 30, 2026.

Fees payable upon this Order - \$500.00

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. The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

THE PUBLIC UTILITIES BOARD

"Shawn McCutcheon"

Panel Chair

"Jennifer Dubois, CPA, CMA"

Assistant Associate Secretary

Certified a true copy of Order No. 98/23
issued by The Public Utilities Board



Assistant Associate Secretary

SCHEDULE "A"

THE RURAL MUNICIPALITY OF WOODLANDS

LOCAL IMPROVEMENT DISTRICT NO. 3 (VILLAGE OF WOODLANDS)

SEWER RATES AS AMENDED

BY THE PUBLIC UTILITIES BOARD ORDER NO.

BY-LAW NO 2756/22.

SCHEDULE OF QUARTERLY RATES:

1. Quarterly Rates for Sewer Services

Units Charged

Charged to Customer	Service Charge	Sewer Only	Total Quarterly Minimum
Oct 1, 2023			
1	\$9.20	\$88.67	\$97.87
1.5	9.20	133.01	142.21
2	9.20	177.34	186.54
3	9.20	266.01	275.21
4	9.20	354.68	363.88
12	9.20	1,064.04	1,073.24
14	9.20	1,241.38	1,250.58
40	9.20	3,546.80	3,556.00
Oct 1, 2024			
1	\$9.48	\$91.67	\$101.15
1.5	9.48	137.51	146.99
2	9.48	183.34	192.82
3	9.48	275.01	284.49
4	9.48	366.68	376.16
12	9.48	1,100.04	1,109.52
14	9.48	1,283.38	1,292.86
40	9.48	3,666.80	3,676.28
Oct 1, 2025			
1	\$9.76	\$94.69	\$104.45

1.5	9.76	142.04	151.80
2	9.76	189.38	199.14
3	9.76	284.07	293.83
4	9.76	378.76	388.52
12	9.76	1,136.28	1,146.04
14	9.76	1,325.66	1,335.42
40	9.76	3,787.60	3,797.36

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1. Service to Customers Outside L.I.D., Limits

The Council of the Rural Municipality of Woodlands may sign agreements with customers for the provision of water and sewer services to properties located outside the legal boundaries of the Local Improvement District No. 3, community of Woodlands. 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 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 these 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. Billings and Penalties

A late payment charge of one and one quarter of a percent (1.25%) per month 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. Disconnection

The Public Utilities Board has approved the Conditions Precedent to be followed by the municipality with respect to the 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. Reconnection

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$30.00 have been paid.

5. Outstanding Bills

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

6. Sewage Surcharges

- (a) There will be levied annually, in addition to rates set forth above, a special surcharge on sewage having a Biochemical Oxygen Demand in excess of 300 parts per million, to be set by Council
- (b) A special surcharge for substances requiring special treatment shall be charged based on the actual costs of treatment required for the particular sewage or industrial wastes.

7. Lagoon Tipping Fees

Regulations and fees for dumping from either septic or holding tanks by registered haulers are established as follows:

The Rural Municipality of Woodlands (RM) permits the dumping of sewage into the sewage lagoons collected only from the RM for which a formal agreement has been entered into with the RM.

All sewage discharged in the sewage lagoons shall meet the standards outlined by Manitoba Conservation and contained in the current Rural Municipality of Woodlands Environmental Act licence. In addition to the requirements of Environmental Act Licence, all applicable Federal, Provincial Statutes and Regulations and Municipal By-Laws must be complied with.

The annual licence for each key is issued for the maximum of one (1) calendar year or part of thereof to September 30 for each vehicle. On an annual basis the Wastewater Disposal Vehicle Licence must be renewed and the annual licence fee must be paid for each key, prior to first business day in October each year. There is an annual fee of \$100.00 per key payable prior to October 1 of each year. The Septic Hauler must not duplicate the keys. Failure to pay the annual fee prior to October 1 of each year will result in suspension of tipping privileges.

Each Septic Hauler must submit a monthly record of wastewater pickup and disposal report. The report must indicate the name of the Septic Hauler, municipal licence number, date of disposal, the civic address, and name of the customer for the property services. The due date for each month is as follows:

Failure to submit these reports by the 15th day of the month following the end of the previous month may result in the suspension or cancellation of Wastewater Disposal Vehicle Licence. Should the Septic Hauler's Wastewater Disposal Vehicle Licence be suspended or revoked due to nonpayment of account, failure to submit the monthly report by the 15th day following the month, or any contravention of agreements, gate access will be revoked and the gate access keys will not be reinstated to the Septic Hauler until all reports are submitted, and all arrears plus a reinstatement fee has been paid.

Annual Licence Fee \$100.00 per issued lagoon key
 Replacement of Gate Key \$250.00 Each
 (lost, stolen, damaged)

Wastewater Disposal Tipping Fees:

Year	Lagoon Tipping Fees
Oct 1, 2023	\$13.40
Oct 1, 2024	\$13.80
Oct 1, 2025	\$14.20