

**Order No. 26/24**

**VILLAGE OF DUNNOTTAR  
DUNNOTTAR WASTEWATER UTILITY  
REVISED WASTEWATER RATES  
EFFECTIVE JANUARY 1, 2024, 2025, 2026, AND 2027**

---

**FEBRUARY 21, 2024**

**Revised – February 22, 2024**

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

## Table of Contents

1.0	Executive Summary.....	3
2.0	Background .....	4
	Wastewater Collection/Treatment.....	4
3.0	Application.....	4
	Contingency Allowance and Utility Reserves.....	6
	Working Capital Surplus/Deficit .....	7
	Cost Allocation Methodology .....	7
4.0	Board Findings .....	8
5.0	IT IS HEREBY ORDERED THAT:.....	11
	SCHEDULE A.....	13

## 1.0 Executive Summary

By this Order, the Public Utilities Board (Board) varies the revised wastewater rates for the Village of Dunnottar, Dunnottar 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>
Annual Service Charge	\$3.40	\$6.02	\$6.02	\$6.02	\$6.02
Wastewater – Annual Charge per REU	\$516.60	\$658.42	\$677.07	\$696.56	\$716.05
Total Annual Charge – 1.0 REU	\$520.00	\$664.44	\$683.09	\$702.58	\$722.07
Total Annual Charge – 1.5 REUs	\$778.30	\$993.65	\$1,021.63	\$1,044.84	\$1,074.08
Total Annual Charge – 2.0 REUs	\$1,036.60	\$1,322.86	\$1,360.16	\$1,399.14	\$1,438.12

\*Based on 1 Residential Equivalency Unit (REU)

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.

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 Village operates an unmetered wastewater only utility, servicing 1,180 customers with an assignment of 1,180 REUs. Customers are approximately 75% seasonal and 25% permanent residences. The Billing cycle is one billing per year, sent to customers with their annual tax bills.

Rates were last approved for the Utility in 2018 in Board Order No. 41/18, with the last increase occurring January 1, 2020.

### Wastewater Collection/Treatment

The Village has a four-year contract, commencing May 1, 2024 and concluding April 30, 2028 to check tanks and pump out (i.e. collect, remove, and dispose) liquid waste from holding tanks on properties that are customers of the Utility once per week during the 26 week summer period (April 16 up to and including October 15). During the remainder of the year, tanks are checked and pumped out once per week for permanent residents and seasonal property owners must request pump outs on an as needed basis, which are provided at no additional cost, unless requested outside of regular working hours at a charge according to Schedule A to this Order. Properties are each assigned an allocation of 1.0 REU annually. At the beginning of each fiscal year, customers who request two pump outs weekly for the entire year are assigned and charged for an additional REU. Likewise, at the beginning of each fiscal year, customers who request two pump outs weekly for only the summer period (April 16 to October 15) are assigned and charged for an additional 0.5 REUs.

## 3.0 Application

On July 18, 2023, the Village applied for revised wastewater rates for the Utility. The application was accompanied by a rate study prepared by the Village's Chief Administrative Officer (CAO) and By-Law No. 978/23 read for the first time on May 17, 2023 and Council Resolution # 2023 0050.

A Public Notice of Application was issued on August 8, 2023 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the Village on or before October 10, 2023. There were 3 responses received to the Notice concerning the magnitude of the requested rate increase and a failure by the Village to tender the Utility's pump out waste removal contract.

On February 7, 2024, it was determined the Utility's amortization expense was input incorrectly and revised REU requirements were submitted by the Village's CAO.

On February 9, 2024, Board staff requested additional information regarding capital grant amortization for the Utility. On February 12, 2024, the Village advised capital grant amortization had been erroneously omitted from the Village's Audited Financial Statements since 2015 and were erroneously omitted from the rate calculations in the Village's rate study.

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 Village's application.

The rates were calculated based on the following projections and does not include an annual inflation rate in the calculations:

<b>Schedule of Utility Rate Requirements Village of Dunnottar – Dunnottar Wastewater Utility 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	3,100	3,100	3,100	3,100
Total General Expenses	3,100	3,100	3,100	3,100
<b>Net Costs General</b>	<b>3,100</b>	<b>3,100</b>	<b>3,100</b>	<b>3,100</b>
<b>Wastewater Expenses</b>				
Pump Out Contract - General	733,000	755,000	778,000	801,000
Pump Out Contract - Fuel	20,000	20,000	20,000	20,000
Bad Debts	6,000	6,000	6,000	6,000
Lagoon - Testing	2,000	2,000	2,000	2,000
Lagoon - Miscellaneous	2,500	2,500	2,500	2,500
Passive Filter - Testing	4,000	4,000	4,000	4,000
Passive Filter - Miscellaneous	2,500	2,500	2,500	2,500
Passive Filter - Hydro	4,000	4,000	4,000	4,000
Amortization*	19,628	19,628	19,628	19,628
Total Wastewater Expenses	793,628	815,628	838,628	861,628
<b>Revenue</b>				
Investment Income	2,000	2,000	2,000	2,000
Amortization of Capital Grants*	10,687	10,687	10,687	10,687
Total Wastewater Revenue	12,687	12,687	12,687	12,687
<b>Net Costs Wastewater</b>	<b>780,941</b>	<b>802,941</b>	<b>825,941</b>	<b>848,941</b>
<b>Net Operating Costs</b>	<b>784,041</b>	<b>806,041</b>	<b>829,041</b>	<b>852,041</b>

\*Revised from initial application based on subsequent information from the Village

The proposed Utility rate increases are primarily due the increase in the cost of the pump out service contract.

### 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 Village has not included a contingency allowance in its application. The Village advises most costs are fixed due to the nature of the contract for pump out services and therefore no contingency was included.

The Village has not included an annual reserve allowance in its 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 deficit for the Utility at December 31, 2021 was:

	2021
Utility Fund Surplus/Deficit	\$33,344
Deduct: Tangible Capital Assets	(822,301)
Add: Long-Term Debt	-
Add: Utility Reserve	186,798
<b>Equals Working Capital Surplus (Deficit)</b>	<b>\$(602,159)</b>
Operating Expenses	596,061
<b>20% of Operating Expenses (Target)</b>	<b>\$119,212</b>

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 Village charges a flat rate fee to the Utility of \$3,100.00 per year for administrative costs.

## 4.0 Board Findings

The Board has reviewed the application and the projections presented by the Village in its rate application. The Board notes the bad debt expense and investment income revenue were included in the rate per REU, but these items should be included in the annual service charge.

The Board has also reviewed the Village's 2021 Audited Financial Statements and notes the Statements erroneously omit the Public Utilities Board Note and therefore also omit capital grant amortization, which for rate setting purposes is used to offset utility expenses. The Board directs the Village to work closely with its auditor(s) to ensure the Public Utilities Board Note to the Consolidated Financial Statements is complete and correct. If the Note is omitted, incomplete, or incorrect, it limits the Board's ability to properly assess the Utility's financial position, and the Village's ability forecast and set appropriate rates to sustain the Utility and its operations.

The Board is concerned with the methodologies used by the Village to assign REUs, as the rate application was not submitted using the Board's template. The Board suggests that the Village consider increasing its knowledge of completing a rate study, including the Minimum Filing Requirement checklist, by familiarizing itself with the Board's Guidelines and Board Order No. 86/17 Schedule "B" and by watching the Board's educational webinars found on the Board's website ([www.pubmanitoba.ca/v1/index.html](http://www.pubmanitoba.ca/v1/index.html)).

The Board advises the Village, future applications that omit pertinent elements of a rate study such as, but not limited to the Schedule or Rate Calculations and/or Minimum Filing Requirements will be rejected by the Board and returned to the Village or denied by the Board and may be subject to a \$500.00 processing fee.



The Board notes the annual wastewater pump out contract makes up most of the Utility's annual costs. The Village advised the Board it solicited companies in the area and determined there was no other organization equipped to provide the pump out services. The Village also advised the service contract was previously tendered and there were no other suitable bidders. Based on this information the Village did not tender the contract.

On February 15, 2024 the Board requested a copy of the Village's Procurement Policy. That day, the Village forwarded a copy of the Council's Policy on Procurement and Disposal of Material. The Council's Policy states:

"The Village of Dunnottar has adopted [its] policy to ensure that all supplies, equipment or services are acquired in a consistent manner that provides the Village with the greatest possible value. The Village will purchase supplies, equipment and/or services and form appropriate contract agreements (when necessary) using an open, competitive and non-discriminatory selection process to determine the most qualified suppliers which may require written proposals detailing price points, features and benefits."

The Board finds, the Village did not follow Council's Policy on Procurement and Disposal of Material and recommends the Village follow its approved Policy accordingly for future, applicable contracts.

It is the Board's view, the practice of tendering for large projects and services facilitates competition and the opportunity for better pricing. Also, the tendering practice creates transparency in the procurement process that protects and informs stakeholders. The Board notes, three complaints were received regarding the Village's tendering practices for the wastewater pump out service contract. The Board recommends the Village remind and review its internal policies and procedures for tendering and procurement with Council and the Village tender the wastewater pump out service contract going forward.

The Board varies the rates based on updated amortization expenses and amortization of capital grants as later submitted by the Village, and correct application of the bad debt expense and investment income revenue, effective January 1, 2024, January 1, 2025, January 1, 2026, and January 1, 2027.

The Board requires the Village to review its wastewater rates for the Utility for adequacy and file a report with the Board, as well as an application for revised rates (if required) on or before March 1, 2027.

The Board notes the Village bills customers annually along with the annual tax bills. The Board reminds the Village to ensure Utility bills are separated and/or delineated from the tax bills to avoid confusion among ratepayers. The Board also notes the Utility's Audited Financial Statements have erroneously reported wastewater fees as property tax revenue. The Board reminds the Village Audited Financial Statements must be complete and correct to provide clear, accurate, and transparent data to staff, constituents, and stakeholders. The Board directs the Village to correct the erroneous reporting practice for wastewater fees in its Audited Financial Statements.

The Board notes the Village has not submitted its 2022 Audited Financial Statements and reminds the Village audited financial statements are to be reported to the Board no later than June 30 of the following year. The Board directs the Village to submit its 2022 Audited Financial Statements as soon as they are available.

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

1. The revised wastewater rates for the Village of Dunnottar, Dunnottar Wastewater Utility, BE AND ARE HEREBY VARIED 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 Village of Dunnottar BE AND IS HEREBY APPROVED.
3. The Village of Dunnottar 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 Village of Dunnottar amend its 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 Village of Dunnottar review its wastewater rates for the Dunnottar 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 March 1, 2027.
6. The Village of Dunnottar submit its 2022 Audited Financial Statements as soon as they are available.
7. The Village of Dunnottar work with its auditor(s) to ensure the Public Utilities Board Note to the Consolidated Financial Statements is complete and correct.
8. The Village of Dunnottar amend its reporting practices for wastewater fees in its Audited Financial Statements.

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. 26/24

Issued by The Public Utilities Board



Assistant Associate Secretary

**SCHEDULE A  
VILLAGE OF DUNNOTTAR  
DUNNOTTAR WASTEWATER UTILITY  
WASTEWATER UTILITY RATES BY-LAW NO. 978/23  
SCHEDULE OF ANNUAL RATES**

1.	<u>SCHEDULE OF ANNUAL RATES</u>	<u>JANUARY 1, 2024</u>
	Annual Customer Service Charge	6.02
	Annual charge per REU	658.42
	1 Residential equivalency unit – total per annum	664.44
	1.5 Residential equivalency units – total per annum	993.65
	2 Residential equivalency units – total per annum	1,322.86
2.	<u>SCHEDULE OF ANNUAL RATES</u>	<u>JANUARY 1, 2025</u>
	Annual Customer Service Charge	6.02
	Annual charge per REU	677.07
	1 Residential equivalency unit – total per annum	683.09
	1.5 Residential equivalency units – total per annum	1,021.63
	2 Residential equivalency units – total per annum	1,360.16
3.	<u>SCHEDULE OF ANNUAL RATES</u>	<u>JANUARY 1, 2026</u>
	Annual Customer Service Charge	6.02
	Annual charge per REU	696.56
	1 Residential equivalency unit – total per annum	702.58
	1.5 Residential equivalency units – total per annum	1,044.84
	2 Residential equivalency units – total per annum	1,399.14
4.	<u>SCHEDULE OF ANNUAL RATES</u>	<u>JANUARY 1, 2027</u>
	Annual Customer Service Charge	6.02
	Annual charge per REU	716.05
	1 Residential equivalency unit – total per annum	722.07
	1.5 Residential equivalency units – total per annum	1,074.08
	2 Residential equivalency units – total per annum	1,438.12

5. SEWAGE RECEIVING RATES

The Village shall charge \$30.00 per 3,000 gallon truck load or portion thereof to the outside users of the Village lagoon.

6. BILLINGS AND PENALTIES

Accounts shall be billed annually on the municipal tax bill, this amount shall show as a separate line item. Late payment penalty charge of 1.25% monthly shall be charged on the dollar amount owing after the tax due date. The due date will be June 30 of each year.

7. OUTSTANDING BILLS

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

8. SECOND PUMP OUTS

In the event a resident within the Area, or the Village on the resident's behalf requests the Contractor to empty a tank or new tank a second or subsequent time during any week during the term of the pump out contract, and in the event the Contractor performs such additional service, it is understood the resident shall be solely responsible for payment for such service to the Contractor. The cost of same shall be as follows:

During Regular Working Hours		Outside of Regular Working Hours
Year 1	\$95.00 + GST*	\$120.00 + GST
Year 2	\$100.00 + GST*	\$125.00 + GST
Year 3	\$105.00 + GST*	\$130.00 + GST
Year 4	\$110.00 + GST*	\$135.00 + GST

\*Upon request, solids may be pumped out for an additional \$5.00