

Order No. 139/17

**THE RURAL MUNICIPALITY OF ST. ANDREWS
MAPLETON-PRUDEN AVENUE WASTEWATER UTILITY
WASTEWATER RATES**

December 21, 2017

BEFORE: Carol Hainsworth, C.B.A., Panel Chair
Susan Nemec, FCPA, FCA, Member

Table of Contents

1.0	Executive Summary.....	3
2.0	Background	4
3.0	Application.....	5
	Working Capital Surplus/Deficit	6
4.0	Board Findings	6
5.0	IT IS THEREFORE ORDERED THAT:.....	9

1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) approves, on an interim *ex parte* basis, wastewater rates applied for by the Rural Municipality of St. Andrews (RM) for the Mapleton-Pruden Avenue Wastewater Utility (Utility). The Board also approves the RM to “pass through” any PUB approved increases to the City of Selkirk wastewater commodity rate.

The revised rates are to be effective January 1, 2018. The approved interim rates are as follows:

	Current By-law (4264)	Revised By-law (4276) 2016	Revised By-law (4276) 2017	Revised By-law (4276) 2018
Quarterly Service Charge	\$12.50	\$36.31	\$37.22	\$38.15
Wastewater \$/per cubic meter	\$1.66	\$2.24	\$2.24	\$2.24
Minimum Quarterly Charge*	\$35.74	\$67.67	\$68.58	\$69.51
*Based on 14 cubic meters				

Details of other rates may be found in the attached Schedule “A”.

Rationale for the PUB’s decisions may be found under “Board Findings on the Issues”.

2.0 Background

The Rural Municipality of St. Andrews (RM), the Mapleton-Pruden Avenue Wastewater Utility (Utility) is a wastewater only utility as all residents have their own private wells.

The RM established a wastewater only utility in 2010 to service a single customer, Mapleton Lane (Mapleton), a 49 unit life lease facility. This facility is located adjacent to the City of Selkirk (City) and therefore the RM's wastewater system is connected to the City's wastewater system.

The City bills the RM for services based on reading from two meters installed on the well that provides water to Mapleton. The RM then bills Mapleton the commodity charges (pass through rate) as well as a quarterly customer service charge.

The RM completed an extension of its wastewater system in 2015 along Pruden Avenue (adjacent to Mapleton) to allow for the addition of up to 13 new connections. All customers have a meter installed on their individual wells for billing purposes.

To date, there are 3 customers on the new Pruden Avenue connection being serviced. The RM anticipates that all properties adjacent to this new line will be mandated by the Province to connect by 2019, five years after the availability of wastewater services.

3.0 Application

The RM owns and operates the Mapleton-Pruden Avenue Wastewater Utility (Utility), which is a wastewater only utility serving 3 customers, one being the Mapleton and the other two customers are residential units on Pruden Avenue. The RM seeks interim revised wastewater rates for this utility. The last wastewater rates were approved in Board Order No. 52/15 for effective April 1, 2015, which reflected the pass through rates from the City of Selkirk.

On December 8, 2017, the Board received an application for approval of interim wastewater rates from the RM for the Utility. The application was accompanied by Council Resolution No. 606-2017 requesting interim wastewater rates, on an *ex parte* basis, for 2018 (year three of By-law 4276) and that the interim rate also be set for 2019 with a new rate study to be submitted for 2020 to 2022 rates.

As per the interim rate application, the RM is incurring deficits (2016 deficit as per unaudited financials and 2017 anticipated deficit), as initial rates have been set too low. The RM is only recovering approximately 60% of the wastewater charges that the City is charging the RM for the Mapleton-Pruden Avenue Wastewater Utility.

In addition, the RM currently has a rate application before the Board. The application was received on December 22, 2015, for the approval of revised 2016-2018 wastewater rates from the RM for the Mapleton-Pruden Avenue Wastewater Utility. The application was accompanied by By-law 4276 read for the first time on December 15, 2015.

A Notice of Application was issued on February 23, 2016 affording customers the opportunity to comment to both the RM and the Board with respect to the proposed increases. The Board received one comment.

As part of the current rate study, the RM also seeks approval to “pass-through” any of the City of Selkirk’s (City) PUB approved rates as they are approved. As the RM purchases wastewater services from the City, whose rates were set in Board Order No. 25/15 (the City also currently has a rate application before the Board), the City’s rates have a direct

effect on the rates being charged by the RM. The RM requests that the Board consider the process already in place for the pass through rates for the Pembina Valley Water Co-op's customers.

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 is defined as the Utility fund balance, excluding capital related items plus Utility reserves.

As per the 2015 audited financial statements, the most recent information available, the working capital deficit for the Utility at December 31, 2015 was:

	2015	2014
Accumulated Fund Surplus/Deficit	\$ 1,351	\$ 1,760
Deduct tangible capital assets	\$ 610,627	\$ 331,207
Add long term debt	\$ -	\$ -
Add utility reserves	\$ 6,406	\$ 5,841
Equals Working Capital Deficit/Surplus	-\$ 602,870	-\$ 323,606
Utility operating costs	\$ 10,718	\$ 8,572
20% of utility operating costs (target)	\$ 2,144	\$ 1,714

4.0 Board Findings

When reviewing an application, the Board has at its disposal two approaches, either a paper or a public hearing review. After the publication of the Notice of Application, the Board will consider the application and stakeholder responses, and determine which method of review is most appropriate.

A public hearing process allows the utility and stakeholders the opportunity to present their application and any concerns to the Board in person. The Board may review the application using a paper review process, which saves the cost of a public hearing process.

The Board decided to process this application with a paper-based hearing review.

Where there is an urgent need for a rate increase and the Board determines it to be in the best interest of all parties, the Board may also establish interim *ex parte* rates. Interim rates are typically approved as applied for and are then subject to a Public Notice of Application and review, using one of the processes outlined above before being confirmed as final by Board Order. Interim rates are reserved for instances where an applicant can show there is a compelling argument to allow it. This is typically done by showing the Board that the Utility is experiencing operating deficits and will continue to do so if revised rates are not approved in an expedited manner.

As a rule, the Board is not a proponent of retroactive rates. Therefore, the Board will, on an interim *ex parte* basis, approve the wastewater rates as applied for effective January 1, 2018 (year three of Schedule A of By-law 4276) until new rates are approved by the Board. The Board makes this interim rate decision to mitigate the Mapleton-Pruden Avenue Wastewater Utility future operating deficits.

The Board will direct the RM to submit a revised wastewater rate application, including a revised Cost Allocation Methodology on or before January 1, 2019. The new rate application is subject to all Board processes including stakeholder notification.

The Board makes this decision because; the City is incurring deficits because rates have been set too low, the last rates were set in 2015 only reflecting the pass through rates from the City of Selkirk (Board Order No. 52/15) which are not adequate, and the Cost Allocation Methodology has not been updated in some time as it was previously approved in Board Order No. 84/10.

The Board recognizes the rate application of December 22, 2015 included an updated Cost Allocation Methodology, however the Board reminds the RM that the methodology should be reviewed regularly, approximately every three years, as part of a rate application.

The Board will also require the RM to file for approval of operating deficits for 2016 once audited financials are available and the 2017 operating deficit should it materialize.

To further mitigate the any future operating deficits, the Board will also approve the request for “pass through” rates with emphasis that the RM strictly follow the process outlined below.

Though it has been revised to reflect the needs of the RM, the following “*Process for pass through rates*” was originally set out in Board Order No. 124/09:

Step 1. The RM shall consider the implication of any increase approved by the Board for the City of Selkirk.

Step 2. If the cost increase is to be reflected in the wastewater rates, the RM need only **inform the PUB and its customers** of the “pass through” rate change.

Step 3. If rates are to change for any other reason, the RM must make application to the PUB, which may decide to proceed to hear the application by way of a paper-based process or by way of an oral public hearing.

Step 4. **For such “pass through” rate changes, the RM will file an amended rate by-law with the PUB and provide notice of the change to its customers with a copy to the PUB.**

A Notice of Application to inform the ratepayers of the interim water and wastewater rate increases will be issued.

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.

5.0 IT IS THEREFORE ORDERED THAT:

- 1) Revised wastewater rates for the Rural Municipality of St. Andrews, Mapleton-Pruden Avenue Wastewater Utility BE AND ARE HEREBY APPROVED on an interim *ex parte* basis, in accordance with the attached Schedule “A”, effective January 1, 2018.
- 2) The Rural Municipality of St. Andrews amend its wastewater By-law to reflect changes in this Board Order and submit a copy to the Public Utilities Board once it has received third and final reading.
- 3) The Rural Municipality of St. Andrews review the wastewater rates and Cost Allocation Methodology for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates on or before January 1, 2019.
- 4) The Rural Municipality of St. Andrews request for “pass through rates” from the City of Selkirk wastewater commodity rate is HEREBY APPROVED. The RM must adhere to the process as outlined in Board Order No. 124/09 for pass through rates and must apply to the Board for any other increases.
- 5) The Rural Municipality of St. Andrews advise its customers/ratepayers of the “pass through” rate increase(s), the reason for the increase(s), file an amended wastewater rate by-law with the Public Utilities Board and provide a copy of the notice to the Public Utilities Board.

Fees payable upon this Order - \$150.00

THE PUBLIC UTILITIES BOARD

"Carol Hainsworth, C.B.A."
Panel Chair

"RACHEL MCMILLIN, B.Sc."
Acting Secretary

Certified a true copy of Order No. 139/17 issued
by The Public Utilities Board

Acting Secretary

SCHEDULE "A" TO BY-LAW NO. 4276

Schedule of Quarterly Rates1. Sewer Commodity rates per Cubic Metre – 2016 to 2018

All consumption \$2.24

2. Minimum Charges, Quarterly

2016

Meter Size (Inches)	Group Capacity Ratio	Minimum Quarterly Consumption	Service Charge	Sewer	Minimum Quarterly Charges
5/8	1	14	\$36.31	\$31.36	\$67.67
¾	2	28	\$36.31	\$62.72	\$99.03
1	4	56	\$36.31	\$125.44	\$161.75
1 ¼	10	140	\$36.31	\$313.60	\$349.91
2	25	350	\$36.31	\$784.00	\$820.31
3	45	630	\$36.31	\$1,411.20	\$1,447.51
4	90	1,260	\$36.31	\$2,822.40	\$2,858.71
6	170	2,380	\$36.31	\$5,331.20	\$5,367.51

2017

Meter Size (Inches)	Group Capacity Ratio	Minimum Quarterly Consumption	Service Charge	Sewer	Minimum Quarterly Charges
5/8	1	14	\$37.22	\$31.36	\$68.58
¾	2	28	\$37.22	\$62.72	\$99.94
1	4	56	\$37.22	\$125.44	\$162.66
1 ¼	10	140	\$37.22	\$313.60	\$350.82
2	25	350	\$37.22	\$784.00	\$821.22
3	45	630	\$37.22	\$1,411.20	\$1,448.42
4	90	1,260	\$37.22	\$2,822.40	\$2,859.62
6	170	2,380	\$37.22	\$5,331.20	\$5,368.42

2018

Meter Size (Inches)	Group Capacity Ratio	Minimum Quarterly Consumption	Service Charge	Sewer	Minimum Quarterly Charges
5/8	1	14	\$38.15	\$31.36	\$69.51
3/4	2	28	\$38.15	\$62.72	\$100.87
1	4	56	\$38.15	\$125.44	\$163.59
1 1/4	10	140	\$38.15	\$313.60	\$351.75
2	25	350	\$38.15	\$784.00	\$822.15
3	45	630	\$38.15	\$1,411.20	\$1,449.35
4	90	1,260	\$38.15	\$2,822.40	\$2,860.55
6	170	2,380	\$38.15	\$5,331.20	\$5,369.35

3. Billings and Penalties

Accounts shall be billed quarterly and are due and payable up to 30 days after the date of the billing.

Penalties at the rate of one and one-quarter (1 ¼%) percent per month shall be levied on all accounts remaining unpaid after the aforementioned period.

Accounts that are outstanding and not paid by the due date may be added to the taxes of the property to be collected as ordinary taxes, as authorized under Section 252(2) of *The Municipal Act*.

4. Disconnection and Reconnection

The Public Utilities Board has approved 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 municipal office.

5. It shall be an offence for any unauthorized person to tamper, change or by-pass a meter. Said person, owner and/or occupant may be prosecuted in a Court of Law.

6. Service to Customers Outside Municipality, Town, or L.I.D., Limits

The Council of the Rural Municipality of St. Andrews may sign agreements with customers for the provision of sewer services to properties located outside the legal boundaries of the Mapleton/Pruden Avenue sewer utility. 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.