

Order No. 48/22

**RURAL MUNICIPALITY OF PRAIRIE LAKES
NINETTE WASTEWATER UTILITY
WASTEWATER RATES**

April 29, 2022

BEFORE: Marilyn Kapitany, B.Sc. (Hon), M. Sc., Panel Chair
Mike Watson, Panel Member

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1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) varies Rural Municipality of Prairie Lakes (RM), Ninette Wastewater Utility's (Utility) application for revised wastewater rates.

The Board grants approval of the RM's proposed Cost Allocation Methodology.

The revised rates are below:

	January 1, 2023	January 1, 2024	January 1, 2025
Annual Service Charge	\$ 5.79	\$ 6.05	\$ 6.31
Wastewater (per REU)	\$ 188.53	\$ 191.11	\$ 197.39
Minimum Annual Charge*	\$ 194.32	\$ 197.16	\$ 203.70
Wastewater Hauled to Lagoon (per truckload)**	\$ 10.00	\$ 10.00	\$ 10.00
Connection to Wastewater System Deposit	\$ 500.00	\$ 500.00	\$ 500.00

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 Utility is located in the Local Urban District (LUD) of Ninette, in the Rural Municipality of Prairie Lakes (formerly in the Rural Municipality of Riverside). Rates were last set in Board Order No. 136/12, with current rates coming into effect January 1, 2012.

The RM does not anticipate major growth in the LUD, although there have been some new residences built in the last few years. A significant number of lake front properties with holding tanks haul their wastewater to the lagoon.

The Utility provides wastewater service to 151 customers, with the total number of residential equivalency units (REUs) reported to be 160.

Water Supply/Distribution

The LUD does not have a municipal water system; every residence has its own well.

Wastewater Collection and Treatment

The wastewater system consists of wastewater lines and a lift station built in approximately 1978 with some upgrading in 1999.

A new lagoon was built in 2010. It receives wastewater through a pumped system and meets regulatory requirements.

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.

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.

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 duty 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 December 14, 2020 the Board received the RM's application to revise its wastewater rate and approve a new lagoon tipping fee.

The Board issued a Public Notice of Application on February 10, 2021 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.

In response to the Board's queries, the RM advised that although the loan for the Ninette debenture had finished, the Utility's property tax revenues for the loan would continue until 2030. This debenture was issued pre-amalgamation (2015) and was later discovered to be inaccurate.

The RM of Prairie Lakes discovered the discrepancy and consulted with its auditors and the Municipal Board, who advised the RM to continue as the by-law states. The property tax will continue to be recovered and be recorded as Utility revenue in the amount of \$19,139 per year.

The Public Utilities Board Note (Note) to the audited financial statements showed amortization of capital grants for the same capital asset continuing for a period beyond the asset's expected remaining life of 21 years. The RM consulted with its auditor to see if it would be possible to revise the annual amortization of capital grants to align with the expected life of the related capital asset, and provided written evidence to the Board

showing the auditor would make this adjustment going forward from 2021. The capital grant amortization to be reflected on the Note will now be \$48,102 per year instead of \$33,681.

The RM asked that the Board accept the application as filed, with the evidence the taxation revenues will continue at \$19,139.50 and that the capital grant amortization will be \$48,012.

The revenue requirements, after the adjustments for property tax revenues, amortization of capital grants and contingency allowance are:

	Year 1	Year 2	Year 3
General Expenses			
Administration (building, office, staff, etc)	\$ 1,275	\$ 1,313	\$ 1,353
Total expenses general	\$ 1,275	\$ 1,313	\$ 1,353
Penalties	\$ 400	\$ 400	\$ 400
Total revenue general	\$ 400	\$ 400	\$ 400
Net revenue requirement - general	\$ 875	\$ 913	\$ 953
Wastewater Expenses			
Wastewater collection system	\$ 24,515	\$ 25,250	\$ 26,008
Wastewater treatment and disposal	\$ 3,000	\$ 3,090	\$ 3,183
Lift station costs	\$ 2,000	\$ 2,060	\$ 2,122
Amortization	\$ 57,389	\$ 57,389	\$ 57,389
Interest on long term debt	\$ 561	\$ -	\$ -
Contingency	\$ 2,952	\$ 3,040	\$ 3,131
Future remediation	\$ 10,000	\$ 10,000	\$ 10,000
Minor capital upgrades			
Total expenses wastewater	\$ 102,868	\$ 103,354	\$ 104,434
Lagoon tipping fees	\$ 3,000	\$ 3,000	\$ 3,000
Taxation revenue	\$ 19,139	\$ 19,139	\$ 19,139
Other revenue	\$ 100	\$ 100	\$ 100
Amortization of capital grants	\$ 48,012	\$ 48,012	\$ 48,012
Total revenue wastewater	\$ 70,251	\$ 70,251	\$ 70,251
Net revenue requirement - wastewater	\$ 32,617	\$ 33,103	\$ 34,183

Contingency Allowance and Utility Reserves

The RM has included in its projections a contingency allowance of 10% of operating costs. There was an error in the formula on the RM's working papers, which doubled the Sewage Collection System Costs. The Board's calculation of the final rates approved corrected this error. The revised contingency is included in the table of revenue requirements above. There is no provision for transfer to Utility Reserve proposed, though the revenue requirements included a \$10,000 allowance for Future Remediation, which the RM advised would be contributed to the Utility reserve if unused at year-end.

Working Capital

As per the 2020 audited financial statements, the working capital surplus at December 31, 2020 was:

	2020
Accumulated Fund Surplus/Deficit	\$1,319,025
Deduct tangible capital assets	\$1,175,877
Add long term debt	\$13,789
Add utility reserves	\$84,588
Equals Working Capital Surplus/Deficit	\$241,525
Total expenses	\$88,599
20% of operating costs (target)	\$17,720

Operating Deficits

The RM has advised the Utility has not experienced any operating deficits in the past five years.

Cost Allocation Methodology

The RM advises that all operating costs are charged directed to the Utility, including the Utility Operator's wage costs. The RM's staff do the administrative work for this small LUD. The billing cycle is annual, and customers are charged a flat rate. The RM

estimates the time and resources to be minimal. The RM submits the office time and supplies required for the annual billing and collection of accounts is valued at \$1,275 and has submitted that, plus a 3% increase per year to cover the cost of administration of the Utility.

5.0 Board Findings

The Board has reviewed the application and revenue projections and adjustments presented by the RM and finds the projections to be reasonable. The Board varies the rates taking into account the adjustment to the amortization of capital grants, taxation revenue and the correction to the contingency calculation.

The Board directs the RM to amend its Ninette Utility By-law to reflect the rates approved in this Board Order and submit a copy to the Board once it has received third and final reading.

The RM is to provide notice to its customers of the decisions found in this Order and submit a copy to the Board as soon as possible.

The Board has reviewed the Cost Allocation Methodology and finds it to be reasonable. Typically, this methodology is set using a percentage of costs, which allows for flexibility to increase when costs rise, without requiring application to the Board. In the case of the LUD of Ninette, the RM has proposed a dollar amount. The Board recommends the use of a percentage in future applications, but finds the RM's evidence that the resources required for the Utility are minimal to be reasonable. The Board reminds the RM this methodology must be used consistently in the future. Board approval is required should any further changes be considered.

The Board will require the RM to review the financial position of the Utility no later than June 30, 2026 and apply to the Board for revised rates if required.

The Board reminds the RM regular reviews are important for a financially sound utility and encourages the RM to review Board Order No. 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 Prairie Lakes – Ninette Wastewater Utility, BE AND ARE HEREBY VARIED in accordance with the attached Schedule A, effective January 1, 2023, 2024 and 2025.
2. The Cost Allocation Methodology for shared services as submitted by the Rural Municipality of Prairie Lakes BE AND IS HEREBY APPROVED.
3. The Rural Municipality of Prairie Lakes amend its Ninette 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.
4. The Rural Municipality of Prairie Lakes is to provide notice of the decisions in this Order to its customers as soon as possible and submit a copy to the Public Utilities Board.
5. The Rural Municipality of Prairie Lakes review the Ninette 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

"Marilyn Kapitany, B.Sc. (Hon), M. Sc."
Panel Chair

"Jennifer Dubois, CPA, CMA"
Assistant Associate Secretary

Certified a true copy of Order No. 48/22
issued by The Public Utilities Board



Assistant Associate Secretary

Schedule "A"
 The Rural Municipality of Prairie Lakes
 Local Improvement District of Ninette
 Sewer Rates
 Sewer Utility Rates By-Law No. 14 of 2020
 Schedule of Annual Rates

1. COMMODITY RATES PER RESIDENTIAL EQUIVALENT UNIT:

Schedule of Annual Rates - 2023

REU's*	CUSTOMER	SERVICE CHARGE	COMMODITY RATE	ANNUAL BILL
1	Single family residence	\$5.79	\$188.53	\$194.32
1.5	Small retail	\$5.79	\$282.80	\$288.59
2	Café, 30-50 Seats Apartment, 2 Suites	\$5.79	\$377.06	\$382.85
5	Laundromat, 3 Suites	\$5.79	\$942.65	\$948.44
7	Hotel, patio up to 65 Seats, restaurant up to 38 seats, beverage room up to 113 seats, Residence and 6 units Campground Campground & Restaurant	\$5.79	\$1,319.71	\$1,325.50

*Residential Equivalency Units

Schedule of Annual Rates – 2024

REU's*	CUSTOMER	SERVICE CHARGE	COMMODITY RATE	ANNUAL BILL
1	Single family residence	\$6.05	\$191.11	\$197.16
1.5	Small retail	\$6.05	\$286.67	\$292.72
2	Café, 30-50 Seats Apartment, 2 Suites	\$6.05	\$382.22	\$388.27
5	Laundromat, 3 Suites	\$6.05	\$955.55	\$961.60

7	Hotel, patio up to 65 Seats, restaurant up to 38 seats, beverage room up to 113 seats, Residence and 6 units Campground & Campground & Restaurant	\$6.05	\$1,337.77	\$1,343.82
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*Residential Equivalency Units

Schedule of Annual Rates – 2025

REU's*	CUSTOMER	SERVICE CHARGE	COMMODITY RATE	ANNUAL BILL
1	Single family residence	\$6.31	\$197.39	\$203.70
1.5	Small retail	\$6.31	\$296.09	\$302.40
2	Café, 30-50 Seats Apartment, 2 Suites	\$6.31	\$394.78	\$401.09
5	Laundromat, 3 Suites	\$6.31	\$986.95	\$993.26
7	Hotel, patio up to 65 Seats, restaurant up to 38 seats, beverage room up to 113 seats, Residence and 6 units Campground & Campground & Restaurant	\$6.31	\$1,381.73	\$1,388.04

*Residential Equivalency Units

2. SERVICE TO CUSTOMERS OUTSIDE L.I.D. #1 LIMITS:

The Council of the Rural Municipality of Prairie Lakes may sign agreements with customers for the provision of SEWER services to properties located outside the legal boundaries of Local Improvement District of Ninette.

Such agreements will provide for payment of the appropriate rates as set forth in the table above as well as surcharge, set by resolution of Council which will be equivalent to the frontage levy and general and special taxes for utility purposes in effect at the time or as may be in effect from time to time and would be levied on the property concerned if it were within these boundaries. In addition, all costs in connection to the utility's mains and installing and maintaining service connections will be paid by the customer.

3. BILLINGS AND PENALTIES:

Accounts shall be billed on an annual basis by June 30th of each year and shall be due and payable on October 31st of each year. A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date.

4. CONNECTION:

That application to connect to the sewer system must be made to the Municipal Office, in accordance with the policies for installation and upon a fee of \$500.00 to be deposited.

5. DISCONNECTION:

The Public Utilities Board has approved the Conditions Precedent to be followed by the RM with respect to the disconnection of service for nonpayment 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 RM's office.

6. RECONNECTION

Any service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties, and a reconnection fee of \$100.00 have been paid.

7. OUTSTANDING BILLS

Pursuant to section 252(2) of *The Municipal Act*, the amount of all outstanding charges for sewer service are a lien and charge upon the land serviced and may be collected in the same manner in which ordinary taxes upon the land are collectable, and with like remedies.

8. SEWER EFFLUENT TRUCK HAULED TO LAGOON

A rate of \$10.00 will be charged per truckload of sewage effluent obtained for the properties that are located outside the limits of the Local Improvement District No. 2 that is dumped into the sewage lagoon. The volume of a truckload is not to exceed 6,800L.