

**Order No. 56/22**

**RURAL MUNICIPALITY OF HANOVER  
BLUMENORT WASTEWATER UTILITY  
WASTEWATER RATES**

---

**May 24, 2022**

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

## Table of Contents

<b>1.0</b>	<b>Executive Summary .....</b>	<b>3</b>
<b>2.0</b>	<b>Background .....</b>	<b>4</b>
	Wastewater Collection and Treatment.....	4
<b>3.0</b>	<b>Board Methodology.....</b>	<b>5</b>
	Review Process .....	5
	Interim <i>ex parte</i> Approval.....	5
	Contingency Allowance and Utility Reserves.....	5
	Working Capital .....	5
	Operating Deficits .....	6
	Cost Allocation Methodology .....	6
<b>4.0</b>	<b>Application.....</b>	<b>6</b>
	Contingency Allowance and Utility Reserves.....	7
	Working Capital .....	8
	Operating Deficits .....	8
	Cost Allocation Methodology .....	8
<b>5.0</b>	<b>Board Findings .....</b>	<b>9</b>
<b>6.0</b>	<b>IT IS THEREFORE ORDERED THAT: .....</b>	<b>10</b>

## 1.0 Executive Summary

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

The revised rates are below:

	Jan 1, 2022	Jan 1, 2023	Jan 1, 2024
Annual Service Charge	\$ 48.99	\$ 57.98	\$ 66.97
Wastewater (per REU)	\$ 163.16	\$ 166.32	\$ 169.48
Annual Billing per REU*	\$ 212.15	\$ 224.30	\$ 236.45
Reconnection Fee	\$ 50.00	\$ 50.00	\$ 50.00
Lagoon Tipping Fee (1,500 gallons or less)	\$ 30.00	\$ 30.00	\$ 30.00
Lagoon Tipping Fee (over 1,500 gallons)	\$ 60.00	\$ 60.00	\$ 60.00

\*based on one residential equivalency unit (REU)

Details of other rates can be found in Schedule A.

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

## 2.0 Background

Rates were last set in Board Order No. 57/17, with current rates coming into effect January 1, 2018.

### **Wastewater Collection and Treatment**

The Utility provides wastewater service to 466 customers. The RM advises that the number of Residential Equivalency Units (REUs) assigned is 587. 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.

The Utility is comprised of a combination of gravity and low pressure wastewater lines. The lagoon is a five cell lagoon system with three of those cells aerated and two non-aerated treatment. Discharges from the lagoon flow into the Youville drain. The largest customers are Exceldor (Granny's Poultry), Blue Water Wash and Country Meats. Industrial Services Agreements are in place with these customers for wastewater discharge.

## 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.

### 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 May 13, 2021, the Board received the RM's application for revised wastewater rates. The application was accompanied by a rate study completed by the RM's consultant and By-law 2601-21, read for the first time on May 12, 2021.

The Board issued a Public Notice of Application on July 6, 2021 affording customers the opportunity to comment to both the Board and the RM with respect to the proposed rate changes. The Board received one response to the Notice from a ratepayer expressing concerns over the time allowed to respond to the Notice.

The application included the following revenue requirement projections:

	Rate Year 1	Rate Year 2	Rate Year 3
<b>General</b>			
Administration (building, office, staff, etc)	\$ 29,997	\$ 30,597	\$ 31,209
<b>Net revenue requirement - general</b>	<b>\$ 29,997</b>	<b>\$ 30,597</b>	<b>\$ 31,209</b>
<b>Wastewater</b>			
Wastewater collection system	\$ 33,755	\$ 34,430	\$ 35,119
Wastewater treatment and disposal	\$ 158,385	\$ 161,552	\$ 164,783
Lift station costs	\$ 30,346	\$ 30,953	\$ 31,572
Amortization	\$ 251,568	\$ 231,027	\$ 229,956
Interest on long term debt	\$ -	\$ -	\$ -
Contingency	\$ 3,883	\$ 3,883	\$ 3,883
<b>Total wastewater expenses</b>	<b>\$ 477,937</b>	<b>\$ 461,845</b>	<b>\$ 465,313</b>
Lagoon tipping fees	\$ 6,000	\$ 6,000	\$ 6,000
Property tax revenue	\$ -	\$ -	\$ -
Other Income (industrial service agreements)	\$ 179,401	\$ 182,989	\$ 186,649
Amortization of capital grants	\$ 184,520	\$ 174,250	\$ 173,179
<b>Total wastewater revenue</b>	<b>\$ 369,921</b>	<b>\$ 363,239</b>	<b>\$ 365,828</b>
<b>Net revenue requirement - wastewater</b>	<b>\$ 108,016</b>	<b>\$ 98,606</b>	<b>\$ 99,485</b>

The Municipality's consultant calculated the indicated rates for the final rate year requested (2024) and requested rates be implemented in a stable and predictable rate change year over year.

### Contingency Allowance and Utility Reserves

The RM has included in the revenue requirements a contingency allowance of 10% of net rate requirements, less amortization expenses. This equates to \$3,883 for wastewater. There is no provision for transfer to Utility Reserve proposed.

## Working Capital

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

	2020
Accumulated Fund Surplus/Deficit	<b>\$4,749,345</b>
Deduct tangible capital assets	<b>\$4,786,317</b>
Add long term debt	<b>\$0</b>
Add utility reserves	<b>\$658,135</b>
<b>Equals Working Capital Surplus/Deficit</b>	<b>\$621,163</b>
Total expenses	<b>\$468,846</b>
<b>20% of total expenses (target)</b>	<b>\$93,769</b>

## Operating Deficits

The RM has advised the Utility experienced deficits in 2018 and 2019. When calculated for regulatory purposes, the 2018 deficit was \$683 and the 2019 deficit was \$16,703. The Utility applied to the Board for approval of the 2019 deficit, which was granted in Board Order No. 105/20.

## Cost Allocation Methodology

The Board approved the Utility's current Cost Allocation Methodology (CAM) in Board Order No. 98/17. The RM did not propose any changes to the existing CAM.



## 5.0 Board Findings

The Board has reviewed the application and revenue projections presented by the RM and finds them to be reasonable.

Generally, the Board does not approve retroactive rate increases, as they do not allow ratepayers to mitigate the increases by adjusting their consumption. In the case of the Blumenort Wastewater Utility, the rates are set on a flat rate, not by consumption and the 2022 utility bills have not yet been prepared by the RM. The Board will grant approval of the rates proposed by the Utility.

The Board notes a ratepayer expressed concern about the publication of the Notice of Application. The RM responded and provided details about the methods and timing of publication, which met and exceeded the requirement in the Board's Rules of Practice and Procedure.

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 March 31, 2025.

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 Hanover – Blumenort Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule A, effective January 1, 2022, 2023, and 2024.
2. The Rural Municipality of Hanover amend its Blumenort Utility rate By-law to reflect the decisions in this Order, and submit a copy to the Public Utilities Board once it has received third and final reading.
3. The Rural Municipality of Hanover is to provide a notice to its customers including the decisions found in this Order, in the annual utility billing, providing a copy to the Public Utilities Board.
4. The Rural Municipality of Hanover review the Blumenort 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 March 31, 2025.

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](http://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. 56/22  
issued by The Public Utilities Board



Assistant Associate Secretary

## Schedule A to ByLaw 2601-21

Schedule of wastewater rates for properties within Local Improvement District No. 3  
(Blumenort)

## Schedule of Annual Charges

## 1. January 1, 2022

	REUs	Annual Service Charge	Annual Wastewater charge	Total Annual Charges
Single Family, Single Commercial	1	\$ 48.99	\$ 163.16	\$ 212.15
Multi-Unit Residential (Duplex), Small Commercial with public washroom	2	\$ 48.99	\$ 326.32	\$ 375.31
Church	3	\$ 48.99	\$ 489.48	\$ 538.47
Hatchery, Multi-Unit Residential	4	\$ 48.99	\$ 652.64	\$ 701.63
Seniors Complex (Oakwood Place)	8	\$ 48.99	\$ 1,305.28	\$ 1,354.27
Seniors Complex (Oakwood Place), Multi-Unit Res.	12	\$ 48.99	\$ 1,957.92	\$ 2,006.91
Seniors Complex (Oakview Manor)	17	\$ 48.99	\$ 2,773.72	\$ 2,822.71
School	18	\$ 48.99	\$ 2,936.88	\$ 2,985.87
Large Multi-Unit Residential	24	\$ 48.99	\$ 3,915.84	\$ 3,964.83

Lagoon Tipping Fees

To access and dump at the Lagoon:

1,500 gallons or less      \$30.00

1,500 gallons or more      \$60.00

2. Multi-Use Customers - If more than one business is carried on in a building, or if a building is used for both business and residential purposes, a separate charge shall be made for each such business or residential premises, connected to the wastewater system.

## 1. January 1, 2023

	REUs	Annual Service Charge	Annual Wastewater charge	Total Annual Charges		
Single Family, Single Commercial	1	\$ 57.98	\$ 166.32	\$ 224.30		
Multi-Unit Residential (Duplex), Small Commercial with public washroom	2	\$ 57.98	\$ 332.64	\$ 390.62		
Church	3	\$ 57.98	\$ 498.96	\$ 556.94		
Hatchery, Multi-Unit Residential	4	\$ 57.98	\$ 665.28	\$ 723.26		
Seniors Complex (Oakwood Place)	8	\$ 57.98	\$ 1,330.56	\$ 1,388.54		
Seniors Complex (Oakwood Place), Multi-Unit Res.	12	\$ 57.98	\$ 1,995.84	\$ 2,053.82		
Seniors Complex (Oakview Manor)	17	\$ 57.98	\$ 2,827.44	\$ 2,885.42		
School	18	\$ 57.98	\$ 2,993.76	\$ 3,051.74		
Large Multi-Unit Residential	24	\$ 57.98	\$ 3,991.68	\$ 4,049.66		

Lagoon Tipping Fees

To access and dump at the Lagoon:

1,500 gallons or less	\$30.00
1,500 gallons or more	\$60.00

- Multi-Use Customers - If more than one business is carried on in a building, or if a building is used for both business and residential purposes, a separate charge shall be made for each such business or residential premises, connected to the wastewater system.

January 1, 2024

	REUs	Annual Service Charge	Annual Wastewater charge	Total Annual Charges		
Single Family, Single Commercial	1	\$ 66.97	\$ 169.48	\$ 236.45		
Multi-Unit Residential (Duplex), Small Commercial with public washroom	2	\$ 66.97	\$ 338.96	\$ 405.93		
Church	3	\$ 66.97	\$ 508.44	\$ 575.41		
Hatchery, Multi-Unit Residential	4	\$ 66.97	\$ 677.92	\$ 744.89		
Seniors Complex (Oakwood Place)	8	\$ 66.97	\$ 1,355.84	\$ 1,422.81		
Seniors Complex (Oakwood Place), Multi-Unit Res.	12	\$ 66.97	\$ 2,033.76	\$ 2,100.73		
Seniors Complex (Oakview Manor)	17	\$ 66.97	\$ 2,881.16	\$ 2,948.13		
School	18	\$ 66.97	\$ 3,050.64	\$ 3,117.61		
Large Multi-Unit Residential	24	\$ 66.97	\$ 4,067.52	\$ 4,134.49		

Lagoon Tipping Fees

To access and dump at the Lagoon:

- 1,500 gallons or less      \$30.00
- 1,500 gallons or more      \$60.00

1. Multi-Use Customers - If more than one business is carried on in a building, or if a building is used for both business and residential purposes, a separate charge shall be made for each such business or residential premises, connected to the wastewater system.

The following clauses take effect January 1, 2022:

3. Service to Customers Outside L.I.D. of Blumenort Limits

The Council of Rural Municipality of Hanover may sign Agreements with customers for the provision of wastewater services to properties located outside the boundaries of the Local Improvement District of Blumenort. 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 L.I.D. of Blumenort boundaries. 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 annually. A late payment penalty charge of 1 ¼% compounded monthly shall be charged on the dollar amount owing after the billing due date. The due date will be at least fourteen (14) days after the mailing of the bills.

5. Disconnection

The Public Utilities Board has approved the Conditions Precedent to be followed by the RM 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 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 \$50.00 have been paid.

7. Liability for Charges

Pursuant to Section 252 (2) of the Municipal Act, the amount of all outstanding charges for Wastewater services, including fines and penalties, 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 collectible, and with like remedies.

8. Wastewater Surcharges

a) There may be levied annually, in addition to the rates set forth above, a special surcharge on wastewater having a Biochemical Oxygen Demand in excess of 300 parts per million, to be set by Resolution of Council.

b) A special surcharge for substances requiring special treatment shall be charged based on the actual costs of treatment required for the particular wastewater or industrial waste.