

Order No. 142/24

**RURAL MUNICIPALITY OF WHITEMOUTH
WHITEMOUTH WATER UTILITY
REVISED WATER RATES EFFECTIVE JANUARY 1, 2025
SIMPLIFIED RATE APPLICATION**

DECEMBER 10, 2024

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

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1.0 Executive Summary

By this Order, the Public Utilities Board varies the revised water rates and varies the effective date to be January 1, 2025, for the Rural Municipality of Whitemouth (RM), Whitemouth Water Utility (Utility). The approved rates are shown below:

	Current Rates	January 1, 2025
Quarterly Service Charge	\$16.28	\$17.42
Water per cubic meter – First 68 cubic meters	\$5.74	\$6.14
Water per cubic meter – Over 68 cubic meters	\$3.05	\$3.26
Minimum Quarterly Charge*	\$93.77	\$100.31
Bulk Water (per cubic meter)	\$6.25	\$6.50

*Based on 13.5 cubic meters

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

The rationale for the Board's decisions may be found under the Board Findings section below.

2.0 Background

The RM owns and operates a water utility serving 510 customers. All Utility customers are metered. Utility bills are mailed out quarterly, separate from property tax bills. The Utility also services a portion of the RM of Lac du Bonnet. Rates were last approved for the Utility in 2019 in Board Order No. 56/19, with the last rate increase occurring on July 1, 2023.

3.0 Application

On September 9, 2024, the RM applied to the Board for revised water rates for the Utility. The Application was submitted using the Simplified Rate Application Process and accompanied by By-Law No. 758-24 having received first reading on April 2, 2024. The RM provided an Affidavit certifying: the Utility meets all Board requirements for the Simplified Filing Process; the Utility is not experiencing any operating deficits; and the requested wastewater rates are expected to be adequate to meet operating costs for the period from October 1, 2024 to September 30, 2025.

On October 16, 2024, the RM's Finance Officer submitted the RM's draft 2023 Audited Financial Statements.

A Public Notice of Application was issued on October 24, 2024, affording customers the opportunity to comment to both the Board and the RM with respect to the proposed rate increases. No responses were received.

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 this option for this application.

The RM has applied for revised rates to provide for increased water operating and amortization expenses and to provide a contingency for connection fee revenues.

Simplified Rate Application Process

The Board issued Board Orders No. 86/17 and 27/23 establishing and revising the Simplified Rate Application Process (Simplified Process). This process applies to municipally-owned public utilities operating water and/or wastewater systems which meet designated criteria that wish to request Board approval for revised rates.

The following criteria are required in order for a utility to qualify to apply for revised rates using the Simplified Process:

1. The utility must be compliant with all regulatory reporting, including but not limited to:
 - a. The audited financial statements being relied upon for evidence by the Board in the application must be current and prepared in compliance with *The Municipal Act* section 190.
 - b. All outstanding utility deficits should have received approval of the Board.
 - c. All directives from previous Board Orders should have been followed, including submitting copies of all by-laws after third reading, as required.

2. The utility must not be experiencing an operating deficit which is the lower of \$10,000 or 5% of operating expenses, when calculated for regulatory purposes. This includes the appropriate adjustments for capital grants and contributed assets as outlined in Board Order No. 151/08, available on the Board website at www.pubmanitoba.ca.

3. The utility must not be experiencing an unexplained annual operating surplus which is in excess of 20% of operating expenses, when calculated for regulatory purposes. This includes the appropriate adjustments for capital grants and contributed assets as outlined in Board Order No. 151/08, available on the Board website at www.pubmanitoba.ca. An example of an explained surplus would be a utility making an annual contribution to reserves for a planned expenditure; when providing the explanation, all details and supporting documentation about the intended purpose of the reserve should be included.
4. The municipality must have reviewed the utility operations and expects the requested rate will be adequate to meet operating costs for the year. If the revised rates are inadequate, the full application process should be initiated to apply for the necessary rate revisions.
5. The utility must be seeking a rate increase of no more than The Bank of Canada Policy Interest Rate +2%, as indicated at www.bankofcanada.ca on the date of the first reading of the municipal by-law, over the current utility rate. The current utility rate must have been in effect for a minimum of one year from the date of application under the Simplified Process. The revised rate must apply equally to all customers of the utility; however, the utility may request a different revision for the customer service charge, water and/or wastewater rates. For example, a qualified utility may request a 2% rate increase for water, a 1% increase in the customer service charge and no change in wastewater rates, if appropriate. A utility that has domestic and wholesale rates and only wishes to increase one of those rates must apply using the full application process.
6. Requests for multi-year increases will be denied; however utilities may make annual requests for rate increases using the Simplified Process, as long the utility continues to meet the designated criteria.

7. The Simplified Process is at the discretion of the Board, and applicants may be subject to the full application process at any time, and for any reason, without explanation or appeal.

The responsibility for determining whether or not a utility meets the designated criteria lies with the applicant utility. If a utility that clearly does not meet the designated criteria attempts to submit an application using the Simplified Process, the Board will deny the application, and charge a processing fee of \$500.00.

Working Capital Calculation

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 any capital-related items plus Utility reserves.

As per the draft 2023 Audited Financial Statements, the most recent information available, the working capital surplus at December 31, 2023 was:

	2023
Fund Surplus	\$6,004,115
Deduct: Tangible Capital Assets	(5,939,821)
Add: Long-Term Debt	32,913
Add: Utility Reserve	917,672
Equals Working Capital Surplus	\$1,014,879
Operating Expenses	711,239
20% of operating expenses (Target)	\$142,248

The Utility meets the Board minimum working capital surplus of 20%.

4.0 Board Findings

The Board has reviewed the RM's Application and notes, as per the Designated Criteria outlined in Board order No. 86/17: "The revised rate must apply equally to all customers of the utility however, the utility may request a different revision for the customer service charge, water and/or wastewater rates. For example, a qualified utility may request a 2% rate increase for water, a 1% increase in the customer service charge and no change in wastewater rates, if appropriate."

The Board finds the bulk water should be included in the revised rates, as the requested increase must be applied equally to all water customers. The Board notes the requested, revised water rates represent a 7% increase. The Board therefore varies the Utility's bulk water rate from \$6.25 to \$6.50.

The Board notes the RM has advised the Board the bulk water uses a coin operated system and therefore all bulk water rates must be rounded to the nearest \$0.25. In this case, a 7% increase represents a change from \$6.25 to \$6.69, however, to not exceed the 7% the Board has rounded down to \$6.50.

The Board finds the RM meets the other required criteria, as set out in Board Orders No. 86/17 and 27/23, to apply for revised water and wastewater rates using the Simplified Rate Application Process and approves the revised wastewater rates as applied for but varies the effective date to coincide with the Utility's billing cycle to be effective January 1, 2025.

The Board notes the approved rates represent a 7% increase. The Board also notes the Utility has expiring taxation revenue of \$13,773 for water debt and reminds the RM to be cognizant of these reduced revenues when reviewing and setting rates. If the RM does not take action to provide for expiring taxation revenues accordingly, upon expiring of these revenues, Utility customers will incur large increases to rates all at one time.

The Board requires the RM to review its water and wastewater rates for the 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 December 31, 2025.

The Board notes the RM has not submitted its final 2023 Audited Financial Statements and reminds the RM audited financial statements are to be reported to the Board no later than June 30 of the following year. The Board directs the RM to submit its final 2023 Audited Financial Statements as soon as they are available.

5.0 IT IS THEREFORE ORDERED THAT:

1. Revised water and wastewater rates for the Rural Municipality Whitemouth, Whitemouth Water Utility BE AND ARE HEREBY VARIED in accordance with the attached Schedule A, effective January 1, 2025.
2. The Rural Municipality of Whitemouth amend its water and wastewater rate By-Law to reflect the decisions in this Board Order and submit a copy to the Board once it has received third and final reading.
3. The Rural Municipality of Whitemouth provide a notice to its customers as soon as possible, including all decisions found in this Order.
4. The Rural Municipality of Whitemouth review its water and wastewater rates 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 December 31, 2025.
5. The Rural Municipality of Whitemouth submit its final 2023 Audited Financial Statements as soon as they are available.

Fees payable upon this Order - \$150.00

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

"Frederick Mykytyshyn"
Assistant Associate Secretary

Certified a true copy of Order No. 142/24 issued
by The Public Utilities Board

Assistant Associate Secretary

**SCHEDULE A
RURAL MUNICIPALITY OF WHITEMOUTH
WHITEMOUTH WATER UTILITY
WATER RATES BY-LAW NO. 758-24

SCHEDULE OF QUARTERLY RATES
January 1, 2025**

WATER RATES:

WHITEMOUTH WATER UTILITY

- Commodity Charge per Cubic Meter (CM)

	<u>January 1, 2025</u>
First 68 CM	\$6.14
Over 68 CM	\$3.26
Bulk rate	\$6.50
Quarterly Service Charge	\$17.42

- Schedule of Quarterly Rates

Notwithstanding the rates set forth in paragraph 1 hereof, all customers will pay the applicable minimum charge set out below, which will include water allowances indicated:

Effective January 1, 2025

User Type	Water Included (CM)	Quarterly Service Charge	Water Commodity Charge	Minimum Quarterly Bill
Small user	13.5	\$ 17.42	\$ 82.89	\$ 100.31
Large User	68	\$ 17.42	\$ 417.52	\$ 434.94