

Order No. 81/21

**RURAL MUNICIPALITY OF ELLICE-ARCHIE
WATER AND WASTEWATER UTILITY
WATER AND WASTEWATER RATES**

JULY 26, 2021

**BEFORE: Irene Hamilton, Q.C., Panel Chair
Mike Watson, Panel Member**

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1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) approves the Rural Municipality of Ellice-Archie (RM), St. Lazare Water and Wastewater Utility's (Utility) application for revised water and wastewater rates.

The revised rates are below:

	Oct 1, 2021	Jul 1, 2022	Jan 1, 2023
Quarterly Service Charge	\$ 8.52	\$ 9.36	\$ 10.20
Water (per cubic meter)	\$ 4.53	\$ 5.37	\$ 6.21
Wastewater (per cubic meter)	\$ 0.81	\$ 0.68	\$ 0.55
Minimum Quarterly Charge*	\$ 83.28	\$ 94.06	\$ 104.84
Water Only Minimum Quarterly Charge*	\$ 71.94	\$ 84.54	\$ 97.14

*based on 14m³

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 RM owns and operates the St. Lazare Water and Wastewater Utility. There are 128 customers, 123 of which are water and wastewater customers and the remaining five water only customers.

The RM installed water meters in 2015 and began charging based on actual consumption in 2017.

Water Supply/Distribution

The water system consists of three raw water reservoirs, an intake system, a water treatment plant (WTP) and a distribution system with 122 connections. Water is collected from a natural sand aquifer and surface run off. The water is disinfected with sodium hypochlorite prior to entering the gravity distribution system. The system was built in 1960 and the WTP was built in 2011.

The 2015 Annual WTP Review had identified several areas where the WTP was not compliant to the standards. The majority of non compliance was due to the UV lights not performing correctly, however the RM states that these have since been rectified.

Wastewater Collection and Treatment

The RM advises it is now compliant with the lagoon's environmental licence.

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.

Unaccounted for Water

Water losses may be caused by such events as distribution line losses, service leaks, water used for fire fighting or line flushing, and under-registration of water meters. The Board Guidelines require utilities to compare the volume of water produced or purchased against the volume of water sold, to determine the percentage of unaccounted for water. Unaccounted for water volumes of approximately 10% are considered industry standard.

The Board expects any utility experiencing a greater volume of unaccounted for water to provide an explanation and plan to address the water losses.

4.0 Application

On July 20, 2020, the Board received the RM's application for revised water and wastewater rates for the Utility. The application included a rate study prepared by the RM's consultant and By-law No. 05-2020, having had first reading July 7, 2020.

The Board issued a Public Notice of Application on August 13, 2020 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.

The rates were calculated using the following revenue requirement projections:

	Rate Year 1	Rate Year 2	Rate Year 3
General Expenses			
Administration (building, office, staff, etc)	2,615	2,667	2,721
Training costs	3,000	3,000	3,000
Total expenses general	5,615	5,667	5,721
Penalties	500	500	500
Total revenue general	500	500	500
Net revenue requirement - general	5,115	5,167	5,221
Water Expenses			
Purification and treatment	33,864	34,541	35,232
Transmission and distribution	34,374	35,061	35,763
Amortization	25,158	25,158	25,158
Interest on long term debt	788	0	0
Reserves	0	0	0
Contingency	7,024	7,024	7,024
Total expenses water	101,208	101,784	103,177
Hydrant rentals	750	750	750
Amortization of capital grants	0	0	0
Taxation revenues	0	0	0
Total revenue water	750	750	750
Net revenue requirement - water	100,458	101,034	102,427
Wastewater Expenses			
Wastewater collection system	449	449	449
Wastewater treatment and disposal	223	223	223
Lift station costs	2,174	2,174	2,174
Connection costs	4,867	4,867	4,867
Amortization	0	0	0
Contingency	771	771	771
Net revenue requirement - wastewater	8,484	8,484	8,484

The RM's consultant calculated the indicated rates for the final rate year requested (2023) 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 2023 projections a contingency allowance of 10% of net rate requirements, less amortization expenses. This equates to \$7,024 for water and \$771 for wastewater. There is no provision for transfer to Utility Reserve proposed.

Working Capital

As per the 2019 audited financial statements, the working capital surplus at December 31, 2019 was:

	2019
Accumulated Fund Surplus/Deficit	\$931,376
Deduct tangible capital assets	\$911,865
Add long term debt	\$44,773
Add utility reserves	\$11,558
Equals Working Capital Surplus/Deficit	\$75,842
Operating costs	\$109,507
20% of operating costs (target)	\$21,901

Operating Deficits

The Utility has experienced operating deficits every year since 2011. The 2019 deficit, when calculated for regulatory purposes, is \$2,645, which is below the threshold of the lower of 5% of the operating budget or \$10,000, and therefore does not require Board approval. The Board has approved all other deficits.

Cost Allocation Methodology

The Board approved the Utility's current Cost Allocation Methodology (CAM) in Board Order No. 38/18. The RM proposed to change the CAM to be calculated as .5% of Financial Plan General "At Large" Government Services less Assessment, Taxation and Grants expenses.

Unaccounted for Water

The RM reported that unaccounted for water was 63% in 2019. In early April 2020 a very large leak was found and repaired. Comparing the average water production of 123 cubic meters per day to the average production from May 1 to 14, 2020 of 97 cubic meters per day, the unaccounted for water at the time of the rate study was calculated as 54%.

The RM remains concerned about the large unaccounted for water percentage and is attempting to reduce it. The RM has applied for a grant under the Investing in Canada Infrastructure Program to replace the large water main line leading from the water treatment plant to the distribution system, believed to be the location of the water loss.

5.0 Board Findings

The Board has reviewed the application and revenue projections presented by the RM and finds the projections to be reasonable. Having considered the RM's filing and noting no responses were received to the Notice of Application, the Board has chosen a paper review process.

The Board grants approval of the proposed Cost Allocation Methodology, and reminds the Utility that this methodology must be used consistently in the future. Board approval is required should any further changes be considered.

The Board finds the reported levels of unaccounted for water to be unacceptable, and will direct the RM to file an update on the steps being taken to remedy the situation and the current volume of water that is unaccounted for.

The Board finds the RM has been inattentive in filing for regular rate increases. The operating deficits experienced by the Utility have been absorbed by the Utility's robust accumulated surplus; however, those surplus funds could have been used to offset the

amounts borrowed for future capital projects. The Board will expect the Utility to file for future rate revisions in a timely fashion.

The Board requires the RM to review the financial position of the Utility no later than June 30, 2022 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 water and wastewater rates for the Rural Municipality of Ellice-Archie, St. Lazare Water and Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule A, effective October 1, 2021, July 1, 2022 and January 1, 2023.
2. The Cost Allocation Methodology for shared services as submitted by the Rural Municipality of Ellice-Archie, St. Lazare Water and Wastewater Utility BE AND IS HEREBY APPROVED.
3. The Rural Municipality of Ellice-Archie submit a report to the Public Utilities Board consisting of updated information on the volume of unaccounted for water and its plan to address this issue.

4. The Rural Municipality of Ellice-Archie amend its 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.
5. The Rural Municipality of Ellice-Archie review St. Lazare Water and 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, 2024.

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

"Irene Hamilton, Q.C."

Panel Chair

"Jennifer Dubois, CPA, CMA"

Assistant Associate Secretary

Certified a true copy of Order No. 81/21
issued by The Public Utilities Board



Assistant Associate Secretary

RURAL MUNICIPALITY OF ELLICE ARCHIE
St. LAZARE UTILITY
WATER & WASTEWATER UTILITY RATES BY-LAW NO.
SCHEDULE "A"
SCHEDULE OF QUARTERLY RATES

1. Schedule of Commodity Rates & Quarterly Service Charge

October 1, 2021

per Cubic Meter

	Water	Wastewater	Water & Wastewater
	\$4.53	\$0.81	\$5.34
Quarterly Service Charge	\$8.52		

2. Minimum Charges per Quarter

Notwithstanding the rates set forth in paragraph 1, all customers will pay the applicable minimum charges per quarter set out below, which includes the water allowance as listed.

Water & Wastewater Customers

	Water	Quarterly	Water	Wastewater	Water & Wastewater		Water Only
<u>Meter Size</u>	<u>Included C.M.</u>	<u>Service Charge</u>	<u>Commodity Charge</u>	<u>Commodity Charge</u>	<u>Quarterly Minimum Charge</u>	<u>Quarterly Minimum Charge</u>	
5/8"	14	8.52	63.42	\$11.34	\$83.28	\$71.94	
3/4"	28	8.52	126.84	\$22.68	\$158.04	\$135.36	
1"	56	8.52	253.68	\$45.36	\$307.56	\$262.20	
1 1/2"	140	8.52	634.20	\$113.40	\$756.12	\$642.72	
2"	350	8.52	1,585.50	\$283.50	\$1,877.52	\$1,594.02	

1. Schedule of Commodity Rates & Quarterly Service Charge

July 1, 2022

per Cubic Meter

Water	Wastewater	Water & Wastewater
\$5.37	\$0.68	\$6.05

Quarterly Service Charge \$9.36

2. Minimum Charges per Quarter

Notwithstanding the rates set forth in paragraph 1, all customers will pay the applicable minimum charges per quarter set out below, which includes the water allowance as listed.

Water & Wastewater Customers

Meter Size	Water	Quarterly	Water	Wastewater	Water & Wastewater	Water Only
	Included C.M.	Service Charge	Commodity Charge	Commodity Charge	Quarterly Minimum Charge	Quarterly Minimum Charge
5/8"	14	9.36	75.18	\$9.52	\$94.06	\$84.54
3/4"	28	9.36	150.36	\$19.04	\$178.76	\$159.72
1"	56	9.36	300.72	\$38.08	\$348.16	\$310.08
1 1/2"	140	9.36	751.80	\$95.20	\$856.36	\$761.16
2"	350	9.36	1,879.50	\$238.00	\$2,126.86	\$1,888.86

1. Schedule of Commodity Rates & Quarterly Service Charge

January 1, 2023

per Cubic Meter

Water	Wastewater	Water & Wastewater
\$6.21	\$0.55	\$6.76

Quarterly Service Charge \$10.20

2. Minimum Charges per Quarter

Notwithstanding the rates set forth in paragraph 1, all customers will pay the applicable minimum charges per quarter set out below, which includes the water allowance as listed.

Water & Wastewater Customers

Meter Size	Water		Water		Wastewater		Water & Wastewater		Water Only
	Included C.M.	Quarterly Service Charge	Commodity Charge	Commodity Charge	Quarterly Minimum Charge	Quarterly Minimum Charge			
5/8"	14	10.20	86.94	\$7.70	\$104.84	\$97.14			
3/4"	28	10.20	173.88	\$15.40	\$199.48	\$184.08			
1"	56	10.20	347.76	\$30.80	\$388.76	\$357.96			
1 1/2"	140	10.20	869.40	\$77.00	\$956.60	\$879.60			
2"	350	10.20	2,173.50	\$192.50	\$2,376.20	\$2,183.70			

The Following Clauses take effect October 1, 2021

3. Hydrant rentals:

The Municipality will pay to the Utility an annual rental of \$75.00 for each hydrant connected to the system.

4. Service To Customers Outside Municipality's Limits

The Council of the Rural Municipality of Ellice Archie may sign Agreements with customers for the provision of water and wastewater services to properties located outside the boundaries of the RM of Ellice Archie Such Agreements shall provide for payment of the appropriate rates set out in this Schedule, as well as a surcharge 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 the Municipality's boundaries. In addition, all costs of connecting to the Utility's mains, and installing and maintaining service connections, will be paid by the customer.

5. Billing and Penalties:

Accounts shall be billed quarterly and shall be due and payable 30 days after date of billing. A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date.

6. Disconnection:

The Public Utilities Board has approved the Conditions Precedent to be followed by the Utility with respect to the 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.

7. Reconnection:

Any Service disconnected due to non-payment of account shall not be reconnected until all arrears, penalties and a reconnection fee of \$25.00 has been paid.

8. Outstanding Bills:

Pursuant to Section 252(2) of The Municipal Act, the amount of all outstanding charges for water and wastewater service are a lien and charge upon the land

serviced, and shall be collected in the same manner in which ordinary taxes upon land are collectible, and with like remedies.

9. Water Meters

- a. Meter Testing: That in any case where a utility customer requests that a meter be tested for accuracy, the customer will provide the Municipality with a deposit of \$100. The Municipality will then remove the subject meter and send it to an independent lab for testing. If the meter is found to be faulty, all costs associated with the testing process will be borne by the Municipality and the deposit will be refunded to the customer and the customer's account will be adjusted for the preceding six (6) months. If the meter is found to be in proper working order, all costs associated with the testing process will be borne by the customer and the customer will be billed or refunded any balance owing.

10. Meter Tampering

Where there is evidence of meter tampering a minimum charge of \$500 will be applied to the customer's account in addition to an amount calculated to adjust for the tampering based on historical usage.

11. Cross Connections

No customer or person shall connect, cause to be connected or allow to remain connected any piping, fixture, fitting, container or appliance in a manner which under any circumstances may allow water, wastewater or any harmful liquid or substance to enter the Municipality's water system.

If a condition is found to exist which, in the opinion of the Municipality, is contrary to the aforesaid, the Municipality may either:

- Shut off the service or services; or
- Give notice to the customer to correct the fault at his or her own expense within a specified time period.

12. Conditions of Disrepair

In the event that there are conditions of disrepair in the Wastewater and water works on a property that detrimentally affects the system as a whole and, upon the failure of the owner of the property to correct the condition within a reasonable time, the Municipality, or its agents, may enter the property, effect repairs and charge the cost thereof against the subject property as ordinary taxes.

13. Authorization For Officer To Enter Upon Premises

The Public Works Manager, or other employee authorized by the Municipality in the absence of the Utility Manager, shall be authorized to enter upon any premise for the purpose of:

Affixing to any pipe, wire or apparatus connected with any such utility, a meter or any other measuring or testing device; or taking readings from, repairing, inspecting or removing any meter or apparatus belonging to the Municipality.