

Order No. 64/21

**MUNICIPALITY OF ROSSBURN
ROSSBURN WATER AND WASTEWATER UTILITY
WATER AND WASTEWATER RATES
2013, 2014, 2015, 2016 AND 2018 OPERATING DEFICITS**

June 10, 2021

BEFORE: Carol Hainsworth, C.B.A., Panel Chair
Irene Hamilton, Q.C., Panel Member

Table of Contents

1.0	Executive Summary	4
2.0	Background	5
	Water Supply/Distribution	5
	Wastewater Collection and Treatment.....	5
3.0	Board Methodology.....	6
	Review Process	6
	Pass through rate increases	6
	Contingency Allowance and Utility Reserves.....	6
	Working Capital	6
	Operating Deficits	7
	Cost Allocation Methodology	7
	Unaccounted for Water.....	7
4.0	Application.....	8
	Contingency Allowance and Utility Reserves.....	10
	Working Capital	10
	Operating Deficits	10
	Cost Allocation Methodology	11
	Unaccounted for Water.....	11

5.0	Board Findings	11
	Pass through rate approval request.....	12
6.0	IT IS THEREFORE ORDERED THAT:	14
	SCHEDULE “A”	16

1.0 Executive Summary

By this Order, the Manitoba Public Utilities Board (Board) varies the Municipality of Rossburn (Municipality), Rossburn Utility's (Utility) application for revised water and wastewater rates.

The Board grants approval for the recovery of a cumulative operating deficit of \$802,553 for the years 2013-2016 and 2018. The Board grants approval of recovery from the utility's accumulated surplus.

The Board grants approval of the revised Cost Allocation Methodology proposed by the Municipality and pass through rate increases for water purchased from the Russell-Binscarth water treatment plant, subject to the process outlined in Board Findings.

The revised rates are below:

	Oct 1 2021
Quarterly Service Charge	\$ 22.65
Water (per 1,000 gallons)	\$ 27.35
Wastewater (per 1,000 gallons)	\$ 6.52
Minimum Quarterly Charge*	\$ 124.26
Debenture recovery surcharge (per 1,000 gallons)**	\$ 5.18
Lagoon Tipping Fee (per 1,500 gallons)	\$ 34.00
Bulk Water (per 1,000 gallons)	\$ 35.85
Minimum Bulk Water (500 gallons or less)	\$ 17.95

*Based on 3,000 gallons

**Board Order 195/19 approved a debenture recovery surcharge of \$5.18/1,000 gallons between July 1, 2020 and December 31, 2039. This was for the construction of the water pipeline to connect to the Russell Regional Water Treatment Plant.

Details of other rates are in Schedule A.

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

2.0 Background

The Utility's is in the former Town of Rosscburn, which amalgamated with the Rural Municipality of Rosscburn in 2015 to form the Municipality of Rosscburn. Rates were last set in 2010 in Board Order No. 77/10.

The Utility provides water and wastewater service to 278 customers. All customers are connected to both water and wastewater and usage is metered.

Water Supply/Distribution

The water has been supplied by the Russell-Binscarth Water Treatment Plant (RBWTP) since 2018. The RBWTP was constructed in 2017 and commenced producing treated water to Rosscburn, Binscarth, Angusville, Rosscburn and Gambler First Nation in 2018/2019.

Wastewater Collection and Treatment

The Rosscburn wastewater system's lagoon was assessed in 2008 and 2009. A land survey for a future lagoon expansion was done in 2015.

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.

Pass through rate increases

The Board has historically allowed for pass through rate increases for customer utilities purchasing water from a utility regulated by the Board. This allows customer utilities to recover additional costs arising out of a rate increase without requiring the customer utilities to file a full rate application, following Board approval of pass through increases, including a specific process outlined in the Order under Board Findings.

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 February 24, 2020 the Board received the Municipality's application to revise the Utility's water and wastewater rates and approve operating deficits for 2013 to 2017 and 2018, in the cumulative amount of \$802,553. The deficit application proposed recovery from the Utility Accumulated Surplus and was accompanied by Council Resolution No. 2020-43.

The Board issued a Public Notice of Application on May 12, 2020 affording customers the opportunity to comment to both the Board and the Municipality with respect to the proposed rate changes. The Board received no responses to the Notice.

The rates were calculated using the following revenue requirement projections:

	2022
General Expenses	
Total expenses general	25,269
Penalties	2,250
Investment income	750
Other income	1,300
Total revenue general	4,300
Net revenue requirement - general	20,969
Water Expenses	
Purification and treatment	20,808
Service of supply	38,136
Interest on long term debt	17,985
Reserves	0
Total expenses water	235,557
Hydrant rentals	4,800
Connection fees	175
Less: debt paid by taxation	0
Less: debt paid by utility surcharge	36,292
Total revenue water	43,756
Net revenue requirement - water	191,801
Wastewater Expenses	
Wastewater collection system	27,825
Wastewater treatment and disposal	1,873
Lift station costs	10,612
Other sewage & disposal costs	4,162
Amortization	9,934
Contingency	3,261
Total expenses wastewater	57,667
Lagoon tipping fees	11,865
Total revenue wastewater	11,865
Net revenue requirement - wastewater	45,802

The Municipality's consultant calculated the indicated rates for 2022 and requested rates be implemented in a stable and predictable rate change year over year for a period of five years.

Contingency Allowance and Utility Reserves

The Municipality has included in the 2022 rate projections a contingency allowance of 10% of net rate requirements, less amortization expenses. This equates to \$16,257 for water and \$3,261 for wastewater.

There is no provision for transfer to Utility Reserve proposed.

Working Capital

As per the 2019 audited financial statements, the Working Capital Deficit at December 31, 2019 was:

	2019
Accumulated Fund Surplus/Deficit	(\$126,329)
Contribution to connect water line to Russell-Binscarth WTP*	\$498,725
Deduct tangible capital assets	\$497,762
Add long term debt	\$29,532
Add utility reserves	\$81,796
Equals Working Capital Surplus/Deficit	(\$14,038)
Operating costs	\$307,953
20% of operating costs (target)	\$61,591

The rate study submitted the 2018 draft audited financial statements indicated the Utility had a working capital deficit of \$430,669, but this was due to a timing difference with the debenture debt related to a water line connection to the Russell-Binscarth water treatment plant in the amount of \$498,725 that was issued in 2019. The 2019 audited financial statements indicate the debenture was still pending at December 31, 2019. The 2020 audited statements are not currently available.

Operating Deficits

The Municipality has applied for approval of the operating deficits from 2013 to 2016 and 2018, as outlined above in the Application section.

Cost Allocation Methodology

In Board Order No. 77/10 the Board granted approval of a Cost Allocation Methodology (CAM).

The Municipality has requested to revise the CAM to 4.5% of Financial Plan General “At Large” Government Services less Assessment and Grants expenses.

Unaccounted for Water

The rate study indicated the 2018 unaccounted for water was 50% of water produced and an open water pipe in an abandoned house was discovered in May 2019. The unaccounted for water in the 3rd quarter of 2019 was 19%. The Municipality is concerned about the unaccounted for water percentage and is continuing to review water volumes purchased and water sold.

5.0 Board Findings

The Board considered the Municipality’s filing and has chosen a paper review process.

The Board has reviewed the application and revenue projections presented by the Municipality and finds the projections to be acceptable. The Board, however, does not accept the Municipality’s request to phase in the rate increases over a five year period. The Board will approve the rates calculated using the 2022 projections to be effective October 1, 2021.

The Board is sensitive to the impact of rate increases to ratepayers; however, it must consider the sustainability of the Utility when approving rates. The Utility has experienced operating deficits since 2013 and has depleted its accumulated surplus to the point that it is no longer in a financial position to absorb deficits. The Board finds that if it were to allow the Municipality’s proposal to phase in the 2022 rates over a five-year period, it would only result in further deficits.

The increases required can be considered rate shock, something that is common where rate requirements are not addressed for significant periods of time. In the case of the Rossburn Utility, it has been eleven years since the rates have been reviewed and the Utility has experienced operating deficits in five of those years.

The Municipality has applied for approval and recovery of the deficits from the Utility's accumulated surplus. Even with an adjustment for the pending debenture, the Utility will remain in a Working Capital Deficit. The Board will allow the recovery as requested, but anticipates the Utility will experience operating deficits in 2020 and 2021. The 2019 audited financial statements show a significant deficit, which the Municipality has not applied for approval or recovery of. The Board will direct the Municipality to file a deficit application for 2019 on or before August 31, 2021 and for any future deficits at the earliest possible opportunity. Until such time as the Utility has rebuilt its financial position, the Board will not approve recovery for operating deficits from the Utility's accumulated surplus account.

The Board will vary the Municipality's application and grant approval of the rates proposed for Year 5 effective October 1, 2021, as shown in Schedule A.

The Board will approve the revised cost allocation methodology as proposed.

The Board strongly encourages the Municipality to work closely with its auditor(s) to ensure the Public Utilities Board Note to the Consolidated Financial Statements is complete and accurate. If this note is omitted, incomplete, or incorrect, it limits the Board's ability to assess the Utility's financial position, and the Municipality's ability to set appropriate rates to sustain the Utility and its operations. The Note does not appear in the 2019 statements, but the rate study references capital grant amortization.

Pass through rate approval request

The Board grants approval of the Municipality's request to allow for pass through rate increases resulting from any increases in the water purchase rate set by the Russell-

Binscarth Water Treatment Plant. Pass through rate increases are typically used when a PUB regulated utility purchases water from another PUB regulated utility. The Board has previously denied a request for pass through rates when a Utility is purchasing water from the City of Winnipeg (CoW), which is not regulated by the Board.

The Board will require the Utility to follow the requirements for pass through rate increases as established in section 3.10 of [Board Order No. 124/09](#), with the addition of a 90 day notice period for ratepayers.

The process to be followed is as follows:

Step 1. The Municipality shall consider the implication of any increase in water purchase rate set by the Russell-Binscarth Water Treatment Plant, and determine whether or not the increase needs to be passed on to its ratepayers to maintain the adequacy of rates.

Step 2. If the cost increase is to be reflected in the rates of the Rosscburn Utility, and with the one exception that changes in the rate of water losses in the system may also be included, the Municipality need only inform its ratepayers/customers and the Board of the pass through rate change, with a minimum of 90 days notice. This Notice must include information for ratepayers on their ability to respond to the Board regarding the increase.

Step 3. If rates are to change for any other reason or in any amount other than the exact water purchase price increase, the Municipality must make application to the Board, 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 Municipality shall file an amended rate By-law with Board, along with a copy of the Notice provided to ratepayers.

The Board reminds the Municipality regular reviews are important for a financially sound utility and encourages the Municipality 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 Municipality 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 Municipality of Rosscburn - Rosscburn Water and Wastewater Utility, BE AND ARE HEREBY VARIED in accordance with the attached Schedule A, effective October 1, 2021.
2. The revised Cost Allocation Methodology for shared services as submitted by the Municipality of Rosscburn - Rosscburn Water and Wastewater Utility BE AND IS HEREBY APPROVED.
3. The operating deficits for 2013 to 2016, and 2018 totalling \$802,553 when calculated for regulatory purposes, incurred in the Municipality of Rosscburn - Rosscburn Water and Wastewater Utility, BE AND ARE HEREBY APPROVED to be recovered from the Utility's accumulated surplus.
4. The Municipality of Rosscburn submit a deficit application for the 2019 Utility operating deficit to the Public Utilities Board on or before August 31, 2021.
5. The Municipality of Rosscburn submit any future deficit applications for Utility operating deficits to the Public Utilities Board as soon as the Municipality is aware of the deficits.
6. The Municipality of Rosscburn amend its 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.

7. The request to pass through wholesale water price increases from the Russell-Binscarth Water Treatment Plant using the steps outlined in this Board Order BE AND IS HEREBY APPROVED.

Fees payable upon this Order - \$500.00

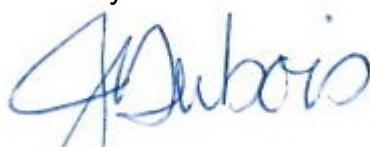
Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure. The Board's Rules may be viewed on the Board's website at www.pubmanitoba.ca.

THE PUBLIC UTILITIES BOARD

"Carol Hainsworth"
Panel Chair

"Jennifer Dubois, CPA, CMA"
Assistant Associate Secretary

Certified a true copy of Order No. 64/21
issued by The Public Utilities Board


Assistant Associate Secretary

**MUNICIPALITY OF ROSSBURN
UTILITY
WATER & SEWER UTILITY RATES BY-LAW NO.
SCHEDULE "A"
SCHEDULE OF QUARTERLY RATES**

1. Schedule of Commodity Rates &
Quarterly Service Charge

October 1, 2021

Rates per 1,000 Gallons

1,000 Gallons per quarter

	Water	Sewer	Water & Sewer
	\$27.35	\$6.52	\$33.87
Debt Surcharge	\$5.18		
Quarterly Service Charge	\$22.65		

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 & Sewer Customers

	Water Included	Customer Service Charge	Water Commodity Charge	Sewer Commodity Charge	Surcharge (see Clause 5 \$5.18/1,000)	Water & Sewer Total Quarterly Minimum
<u>Meter Size</u>	<u>Gallons</u>					
5/8 inch	3,000	\$22.65	\$82.05	\$19.56	15.54	\$139.80
3/4 inch	6,000	\$22.65	\$164.10	\$39.12	31.08	\$256.95
1 inch	12,000	\$22.65	\$328.20	\$78.24	62.16	\$491.25
1 1/2 inch	30,000	\$22.65	\$820.50	\$195.60	155.40	\$1,194.15
2 inch	75,000	\$22.65	\$2,051.25	\$489.00	388.50	\$2,951.40

3. Bulk Water

All water sold in bulk shall be charged for at a rate of \$35.85 per 1,000 gallons, with a minimum charge of \$17.95 for 500 gallons or less.

4. Lagoon Tipping Fee

The Lagoon Tipping fee, per 1,500 gallons of sewage, is \$34.00.

The following clauses take effect October 1, 2021:

5. Surcharge

The surcharge of \$5.18 per 1,000 gallons of water sold from July 1, 2020 to December 31, 2039 was approved by the Public Utilities Board, Order No. 195/19, to fund the annual principle and interest payments for the debenture debt of \$498,725, being Rossburn's share of the cost of the Russell water treatment plant and water line connecting to the Rossburn Utility.

6. Service To Customers Outside Municipality's Limits

The Council of the Municipality of Rossburn may sign Agreements with customers for the provision of water and sewer services to properties located outside the boundaries of the Municipality. 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.

7. Billings and Penalties

Accounts shall be billed quarterly based on water used and are payable within 15 days of the billing date. A late payment penalty charge of 1 ¼% compounded monthly shall be charged on the dollar amount owing after the billing due date.

8. Disconnection and Reconnection

The Public Utilities Board has approved the 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 Municipality's office.

A customer, whose service is disconnected for any reasons, shall not be reconnected until all regulations have been complied with and all arrears paid along with a reconnection fee of \$35.00.

9. Liability for Charges

Pursuant to Section 252 (2) of the Municipal Act, the amount of all outstanding charges for water and sewer 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.

The fee to add outstanding water and sewer charges to the property tax roll shall be \$30.00 per account.

10. Hydrant Charges

The Municipality of Rosscurn shall pay to the Utility an annual hydrant charge of \$150 for each hydrant connected to the Utility. This will include the cost of water used for fire fighting.

11. Water Allowance Due to Line Freezing

That in any case where, at the request of Council, a customer allows water to run continuously for any period of time to prevent the water lines in the water system from freezing, the charge to that customer for the current quarter shall be the average of the billings for the last two previous quarters to the same customer, or to the same premises if the occupant has changed.

12. 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 four (4) 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.

13. 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.

14. 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.

15. Conditions of Disrepair

In the event that there are conditions of disrepair in the sewer 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.

16. Authorization For Officer To Enter Upon Premises

The Public Works Manager, or other employee authorized by the Municipality in the absence of the Public Works 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.