

**Order No. 63/18**

**TOWN OF CARBERRY  
CARBERRY WASTEWATER UTILITY  
WASTEWATER RATES FOR 2018, 2019 and 2020**

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**May 10, 2018**

**BEFORE: Shawn McCutcheon, Panel Chair  
Carol Hainsworth, C.B.A., Member**

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## 1.0 Executive Summary

By this Order, the Public Utilities Board (Board) hereby approves the rates as applied for by the Town of Carberry (Town) Wastewater Utility (Utility) and approves wastewater rates effective for years 2018, 2019 and 2020.

The approved rates are as follows:

	Current By-Law 5/2016	Year 1 2018	Year 2 2019	Year 3 2020
Sewer Rates per unit (annual)	\$ 130.00	\$ 136.34	\$ 139.89	\$ 144.20

Details of other rates and charges may be found in Schedule "A" attached.

Rationale for the Board's decisions may be found under "Board Findings".

## 2.0 Background

The Town operates a wastewater only utility, and residents obtain water from individual private wells. The Utility services 715 customers with an assignment of 937 residential equivalence units as per the rate application. The billing cycle is once a year sent to customers on their tax bills.

Where a system has no meters, including systems with wastewater service only, volume of water used and/or volume of effluent returned to the wastewater system are based on residential equivalent units; one unit being the volume of wastewater estimated to be produced by the average single family residence. Rates were set based on residential equivalency units (REUs).

### Wastewater Treatment and Collection System

The Town's wastewater treatment system consists of a two-cell wastewater treatment lagoon which receives wastewater from the Town's collection system via a lift station and a forcemain.

The wastewater treatment lagoon was constructed in 1958 and originally only consisted of one cell. The lagoon was upgraded in 1992 to a two-cell system, which collectively function in the treatment and storage of wastewater. A 20mil PVC liner system is installed in both lagoon cells. The lagoon is discharged by irrigation.

The lagoon receives wastewater from dwellings connected to the communal piped collection system. In addition, the lagoon receives sewage from 135 residences with septic tanks and 27 residences with holding tanks located in the Rural Municipality of North Cypress. Currently, there is no truck dumping station at the existing lagoon and sewage trucks dump sewage into a manhole at the existing lift station, which pumps collected wastewater into the lagoon.

### 3.0 Application

On February 15, 2017, the Town applied for revised wastewater rates, to be effective for years 2017, 2018 and 2019 as set out in By-law No. 5/2016, read for the first time on June 14, 2016. The application was supported by worksheets of projected utility revenues and expenses prepared by the Town and a Lagoon Feasibility Study completed by a consultant. The Town states the reason for the revised wastewater rates is required due to increasing Utility operational and lagoon expansion costs. Rates were previously set in 2008 by Board Order No. 70/08.

A Public Notice of Application was issued on September 30, 2017 affording customers the opportunity to comment to both the Board and Town with respect to the proposed rate increases. There were no responses received.

When reviewing an application, the Board has at its disposal two approaches, either a paper or a public hearing review. After the publication of the Notice of Application, the Board considers the application and stakeholder responses if any, and determines which method of review is most appropriate.

A public hearing process allows the Utility and stakeholders the opportunity to present their application and any concerns to the Board in person. The Board may also review the application using a paper review process, which saves the cost of a public hearing process.

After considering the application, the Board decided to process this application with a paper-based review.

The rates were calculated based on the following revenue projections and an inflation rate of 3% was used in all calculations.

					3.0%		
	Prior year - 1*	Prior year**	Current year	forecasts- Rate years			
	Actual	Actual	Projected	Rate year 1	Rate year 2	Rate year 3	
	2014	2015	2016	2017	2018	2019	
Administration (building, office, staff, etc.)	10,000	10,185	10,195	10,501	10,816	11,140	
Billing and collection					-	-	
Working capital surcharge (1% of yrly exp)				1,137	1,170	1,492	
<b>Total gen. exp./Admin revenue requirement</b>	<b>10,000</b>	<b>10,185</b>	<b>10,195</b>	<b>11,638</b>	<b>11,986</b>	<b>12,633</b>	
<b>Revenue:</b>							
Service charges							
Surcharges							
Penalties							
<b>Total general revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Net rate revenue requirement general/Admin</b>				<b>11,638</b>	<b>11,986</b>	<b>12,633</b>	
<b>Expenses:</b>							
Staffing					-	-	
Sewage Collection System	18,566	20,266	20,500	19,181	19,756	20,349	
Sewage Lift Station	7,570	11,061	11,150	7,905	8,142	8,386	
Sewage Treatment and Disposal	37,529	47,070	50,000	39,029	40,200	41,406	
Costs					-	-	
Connection - Net Loss					-	-	
Amortization/ depreciation	25,137	25,137	25,137	25,891	26,158	26,943	
Interest on long term debt							
Reserves				45,593	46,961	48,384	
Future Remediation							
Minor capital upgrades					-	-	
Contingency***							
<b>Total sewer expenses</b>	<b>88,802</b>	<b>103,534</b>	<b>106,787</b>	<b>137,598</b>	<b>141,217</b>	<b>145,468</b>	
<b>Revenue</b>							
Sewer rate charges****	122,103	124,265	124,345				
Connection Revenue	6,161	6,490	1,000	6,191	6,408	6,538	
Lagoon Tipping Fees							
Amortization of capital grants							
Taxation revenues							
Other Revenue	1,000	1,000	1,000	1,000	1,000	1,000	
<b>Total revenue- sewer</b>	<b>7,161</b>	<b>7,490</b>	<b>2,000</b>	<b>7,191</b>	<b>7,408</b>	<b>7,538</b>	
<b>Net rate revenue requirement - sewer</b>				<b>130,407</b>	<b>133,809</b>	<b>137,930</b>	
<b>Net results</b>	<b>- 91,641</b>	<b>- 106,229</b>	<b>- 114,982</b>				

## Working Capital Surplus/Deficit

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 2015 audited financial statements, the most recent information available, the working capital surplus at December 31, 2015 was:

	2014	2015
Accumulated Fund Surplus	\$1,054,246	\$1,076,867
Deduct Tangible Capital Assets	\$714,013	\$729,304
Add Long-Term Debt	0	0
<b>Equals Working Capital Surplus</b>	<b>\$585,855</b>	<b>\$586,558</b>
Operating Expenses	\$98,802	\$117,210
20% of Operating Expenses (Target)	\$19,760	\$23,442

## Utility Reserve

As of the 2015 Audited Financial Statements, the most recent year available, the Town's Utility Reserve Fund was at \$238,995. The Town plans to use the reserves to offset the expected costs of adding another cell to the lagoon. This cost could be as high as \$300,000. The Town plans to initiate a cost sharing agreement with the Municipality of North Cypress-Langford, as the municipality may potentially use the lagoon.

In the summer of 2016, reserve funds were used to cover the costs of sludge bugs being placed into the lagoon cells to eliminate bacteria to help maintain the system until a new third cell can be added. Reserve funds were also used to replace several wastewater lines as the infrastructure is aging.

#### 4.0 Board Findings

The Board has reviewed the application and revenue projections presented by the Town and finds it to be acceptable. The Board approves the wastewater rates for years 2018, 2019 and 2020.

The Board is concerned with the methodologies used to design the annual rates, as the rate application was not submitted using the Board's template. The Board suggests that the Town increase its knowledge of completing a rate study by familiarizing itself with the Board's Guidelines found on the Public Utilities Board website. In addition, the Board requires the Town to submit the Minimum Filing Requirements in Schedule "B" of Board Order 86/17 and a Cost Allocation Methodology for shared costs from the rate study template to be completed and submitted in the Town's next rate study.

The Board is disappointed the Town does not have completed audited financial statements for 2016 and reminds the Town that Section 190(1) of *The Municipal Act* requires auditors to submit an audited report to Council no later than June 30 in the year following the fiscal year for which the audit is prepared.

The Board orders the Town to submit the 2016 audited financial statements to the Board as soon as they are completed.

It has been ten years since the Town of Carberry's Wastewater Utility has submitted a rate application to the Board. In The Board's view, this is too long a time-period between rate reviews. Regular rate reviews submitted on a timelier three-year period, as per the Board's Guidelines, protect the financial position of the Utility and may mitigate the need for substantial rate increases. In some cases, the additional cost of a rate rider becomes necessary to recover utility deficits.

It is the Utility's responsibility to review the rates and ensure rates are adequate to recover the cost of service being provided to its customers. Customers are generally more tolerant of



regular, smaller increases. The Town needs to be much more diligent in conducting regular reviews of its revenue requirements.

The Board will require the Town of Carberry to review its wastewater rates for adequacy and file a report with the Public Utilities Board, as well as an application for revised rates if required, on or before June 30, 2021.

Lastly, the Board recommends, as it did in Board Order 70/08, that the Town introduce a separate bill for utility charges, the practice of including the charges on the tax bill may cause confusion for ratepayers.

## 5.0 IT IS HEREBY ORDERED THAT:

1. The revised wastewater rates for the Town of Carberry – Carberry Wastewater Utility BE AND ARE HEREBY APPROVED in accordance with the attached Schedule “A” to this order, effective for years 2018, 2019 and 2020.
2. The Town of Carberry amend its wastewater rate By-law for the Carberry Wastewater Utility to reflect the decisions in this Order and submit a copy to the Board once it has received third and final reading.
3. The Town of Carberry is to provide a notice to its customers, including the decisions found in this Order.
4. The Town of Carberry. Carberry Wastewater Utility provide copies of the 2016 audited financial statements as soon as available.
5. The Town of Carberry review its wastewater rates for adequacy and file a report with the Public Utilities Board, as well as an application, including a cost allocation methodology, for revised rates if required, on or before June 30, 2021.

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 (Rules). 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

“RACHEL MCMILLIN, B.Sc.”

Acting Secretary

Certified a true copy of Order No. 63/18 issued  
by The Public Utilities Board

\_\_\_\_\_  
Acting Secretary

**SCHEDULE “A”**

**THE TOWN OF CARBERRY  
WASTEWATER RATES  
BY-LAW NO. 5/2016**

SCHEDULE OF QUARTERLY RATES:

1. Wastewater Only for Residential Customers

The Town of Carberry do charge the owners or occupants of land services with wastewater but no water as follows:

- (a) For the fiscal year of 2018 the unit rate will be \$136.34;
- (b) For the fiscal year of 2019 the unit rate will be \$139.89; and
- (c) For the fiscal year of 2020 the unit rate will be \$144.20.

2. That the unit rate will remain at \$144.20 annually from 2019 forward unless amended by by-law at another point in time.

3. A Unit is to be a charge per year, which is the “residential equivalent unit” - one unit being the volume of water estimated to be used by an average single family residence. Units allocated to other customers are based on the estimated water they will use compared to a residence.

<u>TYPE</u>	<u>UNIT</u>
Single family dwelling including mobile homes, single commercial business includes offices, grocery stores, meat markets, hardware, banks, credit unions, garages, halls, churches, drop-in centres, etc	1.0
Residence with one suite or commercial with one suite	1.5
Apartments with suites, including senior citizens' apartments, and apartments with commercials	
- first suite	1.0
- each additional	0.5

Cafés or Restaurants	
- for every 20 seats	1.5
- with residence	1.0
Schools - per classroom	1.0
Hospitals & Personal Care Homes	
- per bed	1.0
Hotels & Motels	
- per room	0.25
- every 20 restaurant seats	1.5
- every 15 beverage seats	1.5
Car Washes - each wash rack	2.0
Curling Rinks, Skating Rinks	1.5
Swimming Pools	2.0
Laundromats - for each washing machine	1.0
Abattoir	2.0
Drive-In Restaurant	1.0
Commercial Multiple	
- first commercial	1.0
- each additional commercial	0.5

- (a) That any residence with more than one suite shall use the apartment rate.
- (b) Any use in conjunction with another use with a rate specification shall be subject to the total of both rates:  
    i.e. Laundromats and Commercials, Garages and Cafés, etc.
- (c) Duplexes shall be deemed as two single-family dwellings.