

Order No. 26/18

**MUNICIPALITY OF HARRISON PARK
LOCAL URBAN DISTRICT OF NEWDALE
REVISED WASTEWATER RATES
January 1, 2018, 2019 and 2020**

February 20, 2018

**BEFORE: Carol Hainsworth, C.B.A., Panel Chair
Susan Nemec, FCPA, FCA, Member**

Table of Contents

1.0	Executive Summary.....	3
2.0	Background	4
	Wastewater- Collection/Treatment.....	4
3.0	Application.....	5
	Contingency Allowance	8
	Working Capital Surplus/Deficit	8
	Cost allocation methodology:.....	9
4.0	Board Findings	10
5.0	IT IS HEREBY ORDERED THAT:.....	11
	SCHEDULE "A"	14

1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves wastewater rates as applied for by the Municipality of Harrison Park (Municipality) Local Urban District (LUD) of Newdale Wastewater Utility (Utility) effective January 1, 2018, 2019 and 2020.

The approved rates are as follows:

	Current Rates By-law (6-2011)	By-law 41 2018 Rates	By-law 41 2019 Rates	By-law 41 2020 Rates
Annual Customer service charge	\$55.01	\$33.97	\$23.45	\$12.94
Annual Commodity charge per REU*	\$253.21	\$313.55	\$343.72	\$373.87
Deficit Recovery Surcharge per REU*	\$110.16	\$0.00	\$0.00	\$0.00
Total Annual Charge	\$418.38	\$347.52	\$367.17	\$386.81
*Residential Equivalent Unit				

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 Municipality of Harrison Park (Municipality) operates the L.U.D of Newdale Wastewater Utility (Utility) serving 82 unmetered wastewater customers. The Rural Municipality of Newdale (RM) amalgamated with the Municipality in 2015.

The Municipality advises that the number of Residential Equivalency Units (REUs) assigned is 92.50, one REU being the volume of wastewater estimated to be produced by the average single family residence. Units allocated to other customers are based on estimated consumption, as compared with a residence. REUs are used in communities with unmetered distribution and collection system, where information regarding actual consumption is unavailable. Customers are billed annually separate from property taxes.

Wastewater- Collection/Treatment

The Municipality's Newdale lagoon system consists of two lagoon cells constructed in the 1960's and upgraded in 2009. The lagoon discharges into a series of marshes and travels 31 kilometers before reaching the Little Saskatchewan River. Discharges are made in spring and fall in compliance with the Municipality's Provincial operating license. The lagoon is said to be of sufficient capacity to service existing customers.

The Newdale lagoon is not presently licensed. The former Rural Municipality of Harrison (RM) presented a study to Manitoba Conservation for a liner but it was not approved. The RM looked into the possibility of constructing a new lagoon and a pre-design report was prepared in 2012, in partnership with the Manitoba Water Services Board (MWSB). Since then, there has been no further urgency from Manitoba Sustainable Development to get a license and due to the costs involved with obtaining a license, the RM has not further pursued the matter.

The Municipality contracts with the Town of Erickson (Town) to maintain the Utility system. The Newdale lagoon and wastewater system are classified as Small Wastewater Treatment Facility and Small Wastewater Collection Facility.

3.0 Application

On October 14, 2016 the Municipality applied for revised wastewater rates, to be effective January 1, 2017 as set out in By-law No. 41 (read for the first time on October 11, 2016). The application was supported by a 2016 rate study prepared by the Municipality's consultant. Rates were last reviewed in 2012 in Board Order No. 146/12.

A Public Notice of Application was issued on April 3, 2017 affording customers the opportunity to comment to both the Board and Municipality with respect to the proposed rate increases. No responses were 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 will consider the application and stakeholder responses, and determine 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 review the application using a paper review process, which saves the cost of a public hearing process. Having received no expressions of concern from consumers, the Board decided to process this application with a paper-based review.

Consistent with past practice, the Municipality intends to collect the annual wastewater charge separately from property tax bills.

The rate study proposed the following rates for the LUD of Newdale:

Customer Charges	Current	2017	2018	2019	2020
Customer Service Charge	\$55.01	\$44.49	\$33.97	\$23.45	\$12.94
Commodity Charge per REU	\$253.21	\$283.38	\$313.55	\$343.72	\$373.87
Deficit Recovery Rate Rider**	\$110.16	\$0	\$0	\$0	\$0
Total Annual Charges***	\$418.38	\$327.87	\$347.52	\$367.17	\$386.81

*Residential equivalency unit (REU) – one REU being the volume of water estimated to be used by the average single family residence.

**2011 recovery charge approved by the PUB in Board Order No. 146/12, collected for five years from 2012-2016 inclusive.

***Total annual charges for a single REU customer. The Municipality has not proposed any changes to the REU Assignments.

Annual Charges	REU's	2017	2018	2019	2020
Single family dwelling, garage, store/post office, drop-in centre, office building, Municipal office, community hall, equipment shed, fire hall, United Church, MTS Building	1	\$ 283.38	\$ 313.55	\$ 343.72	\$ 373.87
Building (suites)	1.5	\$ 425.07	\$ 470.33	\$ 515.58	\$ 560.81
Hotel	5	\$1,416.90	\$1,567.75	\$1,718.60	\$1,869.35
Senior Citizens Home	7	\$1,983.66	\$2,194.85	\$2,406.04	\$2,617.09

The proposed rates were based on the following revenue projections:

Budgeted costs:

	2014 Audited	2015 Actual	2016 Budget	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast
General							
<i>Expenses:</i>							
Administration	\$ -	\$ -	\$ -	\$ 1,000.00	\$ 1,020.00	\$ 1,040.00	\$ 1,061.00
Total general expenses	\$ -	\$ -	\$ -	\$ 1,000.00	\$ 1,020.00	\$ 1,040.00	\$ 1,061.00
<i>Revenue:</i>							
Total general revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Costs General	\$ -	\$ -	\$ -	\$ 1,000.00	\$ 1,020.00	\$ 1,040.00	\$ 1,061.00
Sewer							
<i>Expenses</i>							
Collection system costs	\$ 30,391.00	\$ 15,523.00	\$ 24,610.00	\$ 25,102.00	\$ 25,604.00	\$ 26,116.00	\$ 26,638.00
Amortization	\$ 3,949.00	\$ 3,949.00	\$ 3,949.00	\$ 3,949.00	\$ 3,949.00	\$ 3,949.00	\$ 3,949.00
Total sewer expenses	\$ 34,340.00	\$ 19,472.00	\$ 28,559.00	\$ 29,051.00	\$ 29,553.00	\$ 30,065.00	\$ 30,587.00
<i>Revenue</i>							
Total sewer revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net rate costs - sewer	\$ 34,340.00	\$ 19,472.00	\$ 28,559.00	\$ 29,051.00	\$ 29,553.00	\$ 30,065.00	\$ 30,587.00

The Utility had abnormally high sewer collection costs in 2014 and abnormally low in 2015. The Utility had expenses in 2014 that did not recur in 2015 such as manhole repairs, lift station pumps and repairs as well as road repairs at life station. The Utility experienced a wet summer in 2014 with lots of rainfall which resulted in more pump-outs as the lift station could not handle it.

The former RM did not appear to have charged administration costs to the Utility. The RM continued this practice of not charging administration costs to the Utility after the Board issued Order 146/12, even though there was a stated administration charge.

The proposed rates also include a working capital rebuilding in order for the utility to meet Board requirements by 2020.

Contingency Allowance

There is a Capital Cost Contingency Allowance of 15% of wastewater operating costs, equal to \$3,996.00 in the rate application. Due to the relatively small size of the Utility and the significant costs that unforeseen wastewater line or lagoon repairs and maintenance can have on the Utility, the Municipality is using 15% instead of the Board recommended 10% of operating costs.

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 2014 audited financial statements, the most recent information available, the working capital deficit at December 31, 2014 was:

	2014	2013
Fund Surplus (Deficit)	\$59,836	\$56,890
Deduct Tangible Capital Assets	\$73,882	\$69,893
Add Long-Term Debt	\$0	\$0
Add Utility Reserves	\$12,035	\$3,305
Equals Working Capital Surplus (Deficit)	(\$2,011)	(\$9,698)
Last year's operating costs	\$34,340	\$30,460
20% of last year's operating costs	\$6,868	6,092

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 receiving approval from the Board. The Board’s requirements regarding cost allocation methodologies can be found in Board Order No. 93/09.

The Utility had a Cost Allocation Methodology approved in Board Order No. 146/12. However, the former RM did not charge any administration costs to the Utility. The Municipality submitted the following revised cost allocation methodology for approval in this rate application.

1.0 Administrative Staff, office, legal and audit costs	Chief Financial Officer & Finance Assistant	1% of salary and benefits
1.1 Billing services –meter reading to receipting and collection.		
1.2 Accounting/ auditing/ including bylaw making and enforcement.		
1.3 Common office space		
1.4 Office overheads (telephone, photocopier, computer, etc)		\$300 a year
2.0 Operating, construction and maintenance costs		
2.1 Vehicle – fuel, maintenance, lease costs, capital costs	See 2.2	
2.2 Labour – full time, part time, on call, sick time, vacation, <u>Note 2</u>	The Municipality of Harrison Park contracts with the Town of Ericksdale for utility operator services. The Town invoices the Municipality for labour costs, mileage, etc.	
2.3 Public works building and property.	See 2.2	
2.4 Road repairs and alike (<u>Note 3</u>)	Based on actual costs	
3.0 Major projects		
Interest/ financing		
Labour	Based on actual costs	
External costs	Direct charge (dedicated consulting)	

Note 1: Allocation must be updated periodically to reflect the impacts of inflation.

Note 2: Including salaries and benefits.

Note 3: If a project involves work benefitting both the utility and general operations, the costs may be shared e.g. re-constructing a road and replacing services at the same time – a portion of the road work may be allocated to the utility.

4.0 Board Findings

The Board has reviewed the application and the projections presented by the Municipality in its rate application.

A public notice was issued on April 3, 2017 affording customers the opportunity to comment to both the Board and the Municipality with respect to the proposed rates. The Board received no responses from stakeholders, indicating rate payers understand that the proposed rates are reasonable.

The Board finds that the revenue estimates provided are acceptable and will approved the rates for 2018, 2019 and 2020. The Board is generally not supportive of retroactive rate increases, and approve them only in circumstances where it is in the best interest of all parties. The Board notes that the notice of the rate increase has been published for some time. Further, the Municipality bills the consumers once per year and requires the increase for 2018. For this reason, the Board will approve revised rates starting on January 1, 2018.

The Board will approve the revised Cost Allocation Methodology, and reminds the Town that this methodology must be used consistently in the future, and requires Board approval should any further changes be considered. The Board also reminds the Municipality that collecting administration charges is part of the Cost Allocation Methodology and any deviation from this methodology is considered non-compliance by the Utility.

It has come to the Board's attention that the Municipality continued to collect the rate rider in 2017 which was supposed to have ended in 2016 as ordered by the Board in Order 146/12. The Board will ask the Municipality to advise its customers that the money collected will be kept in the Utility's general operating fund to keep the rates stable.

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.

5.0 IT IS HEREBY ORDERED THAT:

1. The revised wastewater rates for the Municipality of Harrison Park – L.U.D. of Newdale Utility BE AND ARE HEREBY APPROVED in accordance with the attached Schedule “A”, effective January 1, 2018, 2019 and 2020.
2. The Municipality of Harrison Park amend its wastewater rate By-law for the Newdale 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 cost allocation methodology for shared services and equipment as submitted by the Municipality of Harrison Park BE AND IS HEREBY APPROVED.
4. The Municipality of Harrison Park is to provide a notice to its customers, including the decisions found in this Order.
5. The Municipality of Harrison Park 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, by no later than June 30, 2021.

Fees payable upon this Order - \$500.00.

THE PUBLIC UTILITIES BOARD

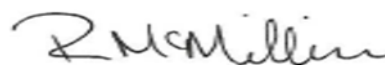
"Carol Hainsworth, C.B.A."

Panel Chair

"Rachel McMillin, B.Sc."

Acting Secretary

Certified a true copy of Order No. 26/18 issued
by The Public Utilities Board



Acting Secretary

Municipality of Harrison Park
Newdale Utility
By-law No. 41

SCHEDULE "A"

Schedule of sewer rates for properties within Local Improvement District No. 1 (Newdale)

1. SCHEDULE OF ANNUAL RATES

January 1, 2018 through December 31, 2018

	Residential Equivalency Units	Annual Customer Service Charge	Annual Commodity Charge	Total Annual Charges
Single Family Dwelling	1	\$33.97	\$313.55	\$347.52
Garage	1	\$33.97	\$313.55	\$347.52
Store/Post Office	1	\$33.97	\$313.55	\$347.52
Drop-in Centre	1	\$33.97	\$313.55	\$347.52
Office Building	1	\$33.97	\$313.55	\$347.52
Municipal Office	1	\$33.97	\$313.55	\$347.52
Community Hall	1	\$33.97	\$313.55	\$347.52
Equipment Shed	1	\$33.97	\$313.55	\$347.52
Fire Hall	1	\$33.97	\$313.55	\$347.52
United Church	1	\$33.97	\$313.55	\$347.52
Curling Rink	1	\$33.97	\$313.55	\$347.52
MTS Building	1	\$33.97	\$313.55	\$347.52
Building (suites)	1.5	\$33.97	\$470.33	\$504.30
Hotel	5	\$33.97	\$1,567.75	\$1,601.72
Senior Citizens Home	7	\$33.97	\$2,194.85	\$2,228.82

1. SCHEDULE OF ANNUAL RATES

January 1, 2019 through December 31, 2019

	Residential Equivalency Units	Annual Customer Service Charge	Annual Commodity Charge	Total Annual Charges
Single Family Dwelling	1	\$23.45	\$343.72	\$367.17
Garage	1	\$23.45	\$343.72	\$367.17
Store/Post Office	1	\$23.45	\$343.72	\$367.17
Drop-in Centre	1	\$23.45	\$343.72	\$367.17
Office Building	1	\$23.45	\$343.72	\$367.17
Municipal Office	1	\$23.45	\$343.72	\$367.17
Community Hall	1	\$23.45	\$343.72	\$367.17

Equipment Shed	1	\$23.45	\$343.72	\$367.17
Fire Hall	1	\$23.45	\$343.72	\$367.17
United Church	1	\$23.45	\$343.72	\$367.17
Curling Rink	1	\$23.45	\$343.72	\$367.17
MTS Building	1	\$23.45	\$343.72	\$367.17
Building (suites)	1.5	\$23.45	\$515.58	\$539.03
Hotel	5	\$23.45	\$1,718.60	\$1,742.05
Senior Citizens Home	7	\$23.45	\$2,406.04	\$2,429.49

1. SCHEDULE OF ANNUAL RATES

January 1, 2020 through December 31, 2020 and Thereafter

	Residential Equivalency Units	Annual Customer Service Charge	Annual Commodity Charge	Total Annual Charges
Single Family Dwelling	1	\$12.94	\$373.87	\$386.81
Garage	1	\$12.94	\$373.87	\$386.81
Store/Post Office	1	\$12.94	\$373.87	\$386.81
Drop-in Centre	1	\$12.94	\$373.87	\$386.81
Office Building	1	\$12.94	\$373.87	\$386.81
Municipal Office	1	\$12.94	\$373.87	\$386.81
Community Hall	1	\$12.94	\$373.87	\$386.81
Equipment Shed	1	\$12.94	\$373.87	\$386.81
Fire Hall	1	\$12.94	\$373.87	\$386.81
United Church	1	\$12.94	\$373.87	\$386.81
Curling Rink	1	\$12.94	\$373.87	\$386.81
MTS Building	1	\$12.94	\$373.87	\$386.81
Building (suites)	1.5	\$12.94	\$560.81	\$573.75
Hotel	5	\$12.94	\$1,869.35	\$1,882.29
Senior Citizens Home	7	\$12.94	\$2,617.09	\$2,630.03

The following clauses take effect January 1, 2018:

2. Annual Billing

Annual charges set forth in Paragraph 1 hereof shall be assessed and billed annually by June 30th and shall be due and payable by December 1st each year.

3. Service To Customers Outside L.I.D. of Newdale Limits

The Council of Municipality of Harrison Park may sign Agreements with customers for the provision of sewer services to properties located outside the boundaries of the Local Improvement District of Newdale. 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 Newdale 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. Disconnection

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 offices.

5. Outstanding Bills

Pursuant to Section 252(2) of The Municipal Act, the amount of all outstanding charges for sewer services are a lien and charge upon the land serviced and shall be collected in the same manner in which ordinary taxes upon the land are collectible, and with like remedies.