

Order No. 31/18

**MUNICIPALITY OF WESTLAKE-GLADSTONE
YELLOWHEAD REGIONAL UTILITY LINE
REVISED WATER RATES
March 1, 2018 and December 1, 2018**

March 1, 2018

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

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1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves water rates as applied for by the Municipality of Westlake-Gladstone (Municipality) Yellowhead Regional Utility Line (Utility) and varies the quarterly service charge, both effective March 1, 2018 and December 1, 2018.

The approved rates are as follows:

	Current Rates By-law 1961	By-law 2016-08 March 1, 2018	By-law 2016-08 December 1, 2018
Water \$/cubic meter	\$2.20	\$2.51	\$2.69
Quarterly service charge	\$9.25	\$15.22	\$15.50
Minimum quarterly charge*	\$40.05	\$50.36	\$53.16
Reconnection fee	\$50.00	\$50.00	\$50.00
Bulk water	\$2.75	\$2.75	\$3.00
*Based on 14 cubic meters			

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 Westlake-Gladstone (Municipality) operates the Yellowhead Regional Utility Line (Utility) formerly operated by the Rural Municipality of Westbourne (RM), serving 177 metered water customers. The RM amalgamated with the Municipality in 2015.

Unaccounted for Water

As per the Public Utilities Board Water and Wastewater Guidelines, the acceptable percentage of unaccounted for water is 10%. If the percentage is greater than 10% the applicant is provide an explanation and the plan to remedy.

There is a higher water consumption billed than water accounted for due to minimum billing charges being greater than actual consumption and resulting in -5% in unaccounted water.

3.0 Application

On October 20, 2016 the Municipality applied for revised water rates, to be effective June 1, 2017 as set out in By-law No. 2016-08, read for the first time on October 18, 2016. The application was supported by a 2016 rate study prepared by the Municipality's consultant. Initial water rates were approved effective January 1, 2007 in 2006 in Board Order No. 178/06.

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.

The rate study proposed the following rates for the Yellowhead Regional Utility Line:

Customer Charges	Current	Proposed June 1, 2017	Proposed December 1, 2017	Proposed December 1, 2018
Water \$/cubic meter	\$2.20	\$2.35	\$2.51	\$2.69
Quarterly service charge	\$9.25	\$9.46	\$9.67	\$9.87
Minimum quarterly charge*	\$40.05	\$42.36	\$44.81	\$47.53
Reconnection fee	\$50.00	\$50.00	\$50.00	\$50.00
Bulk water	\$2.75	\$2.75	\$2.75	\$3.00

*Based on 14 cubic meters

The proposed utility rate increases are primarily required to provide funding for contingency purposes and amortization.

During the review of the application, an error in the computation of the customer service charge was discovered. The Municipality was proposing the customer service charge based on the following table plus a flat amount of \$1,400 to cover office costs:

Office Cost Allocation to Yellowhead Utility Operating			
	Monthly	\$	Utility's Share of Common Costs
CAO	1/2 day	\$ 183.00	\$ 2,196.00
Receptionist	1 day	\$ 130.00	\$ 1,560.00
Utility Clerk	3 days	\$ 470.00	\$ 5,640.00
			\$ 5,640.00
Add 2% 2017 estimated costs			\$ 113.00
2017 estimated Administration and Office Costs			\$ 5,753.00

The Utility Share of Common Costs was not totalled, and the wrong total of 5,640.00 was carried forward.

The Customer service charge is computed by dividing the general costs by the total number of customers connected to the system. In the application, December 1, 2018 quarterly customer service charge is \$9.87 (\$6,985 divided by 177 customers divided by 4).

The proposed rates were based on the following revenue projections:

	2014 Audited	2015 Actual	2016 Budget	2017 Forecast	2018 Forecast	2019 Forecast
General						
<i>Expenses:</i>						
Administration	\$ 6,779	\$ 2,279	\$ 2,500	\$ 5,753	\$ 5,868	\$ 5,985
Billing and collection	\$ -	\$ 1,355	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400
Total general expenses	\$ 6,779	\$ 3,634	\$ 3,900	\$ 7,153	\$ 7,268	\$ 7,385
<i>Revenue:</i>						
Total general revenue	\$ 334	\$ 429	\$ 400	\$ 400	\$ 400	\$ 400
Net Costs General	\$ 6,445	\$ 3,205	\$ 3,500	\$ 6,753	\$ 6,868	\$ 6,985
Water						
<i>Expenses</i>						
Purification and treatment	\$ 16,697	\$ 21,014	\$ 27,000	\$ 27,540	\$ 28,091	\$ 28,653
Transmission and distribution	\$ -	\$ 740	\$ 2,400	\$ 2,448	\$ 2,497	\$ 2,547
Water purchases	\$ 104,930	\$ 112,777	\$ 120,000	\$ 122,400	\$ 124,848	\$ 127,345
Other water supply costs	\$ -	\$ 1,591	\$ 5,000	\$ 5,100	\$ 5,202	\$ 5,306
Amortization	\$ 51,217	\$ 51,576	\$ 52,654	\$ 67,159	\$ 67,159	\$ 75,159
Interest on long term debt	\$ 36,650	\$ 33,487	\$ 30,144	\$ 32,011	\$ 28,045	\$ 35,853
Total sewer expenses	\$ 209,494	\$ 221,185	\$ 237,198	\$ 256,658	\$ 255,842	\$ 274,863
<i>Revenue</i>						
Bulk water fees	\$ 3,036	\$ 2,595	\$ 3,000	\$ 2,841	\$ 2,841	\$ 3,099
Connection charges	\$ 1,050	\$ -	\$ -	\$ -	\$ -	\$ -
Other income*	\$ 34,955	\$ 33,801	\$ 34,250	\$ 34,935	\$ 35,634	\$ 36,346
Other income billings**	\$ -	\$ 2,361	\$ 2,350	\$ 2,515	\$ 2,691	\$ 2,879
Total water revenue	\$ 39,041	\$ 38,757	\$ 39,600	\$ 40,291	\$ 41,166	\$ 42,324
Net rate costs - water	\$ 170,453	\$ 182,428	\$ 197,598	\$ 216,367	\$ 214,676	\$ 232,539
*Manitoba Water Services Board pay the RM for staff doing work for the regional system						
**Waterbilling from users in the RM of Portage la Prairie						

An inflation rate of 2% was used in all calculations.

Included in the Municipality's capital projects is \$400,000 for rural water lines in 2018 with 50% funded by reserve and 50% in borrowed funds.

Contingency Allowance/Reserves

The Board recommends that forecasts use a base for commodity rates include a yearly allowance of 10% of the operating costs for unforeseen costs that may arise unexpectedly.

There is a Capital Cost Contingency Allowance of \$12,153 of water operating costs and annual transfer to Utility reserves of \$15,000 in the rate application.

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 2016 audited financial statements, the most recent information available, the working capital surplus at December 31, 2016 was:

	2016	2015	2014
Fund Surplus (Deficit)	\$2,936,937	\$2,547,897	\$1,742,831
Deduct Tangible Capital Assets	\$3,610,488	\$3,324,254	\$2,184,212
Add Long-Term Debt	\$698,424	\$528,701	\$587,633
Add Utility Reserves	\$795,162	\$839,641	\$556,615
Equals Working Capital Surplus (Deficit)	\$820,035	\$591,985	\$702,867
Last year's operating costs	\$244,181	\$224,819	\$216,273
20% of last year's operating costs Target	\$48,836	\$48,964	\$43,255

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 Municipality submitted the following cost allocations for the Board’s approval:

Category	Sub-category	Options
1.0 Administrative Staff	CAO: ½ day/month Receptionist: 1 day/month Utility Clerk: 3 days/month	Salary plus benefits. \$9,396 in 2016
1.1 Billing services –meter reading to receipting and collection.	Utility staff	
1.2 Accounting/ auditing/ including bylaw making and enforcement.		0
1.3 Common office space		0
1.4 Office overheads (telephone, photocopier, computer, etc)		\$1,400 a year flat fee
2.0 Operating, construction and maintenance costs		
2.1 Vehicle – fuel, maintenance, lease costs, capital costs		No vehicle fuel or maintenance costs are currently being charged to the Utility
2.2 Labour – full time, part time, on call, sick time, vacation, Note 2		Public Works and Utility staff are on time sheets and time spent is charged to the utility
2.3 Public works building and property.	Costs that could be charged to the Utility are minimal and at present nothing is	

	allocated to the Utility	
2.4 Road repairs and alike (Note 3)	Based on actual costs	
3.0 Major projects		
Interest/ financing		Debenture Debt
Labour	Based on actual costs	
External costs	Direct charge (dedicated consulting)	

4.0 Board Findings

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

The Board received no stakeholder responses to the notice issued April 3, 2017, indicating that ratepayers understand the proposed rates.

The Board finds that the revenue estimates provided are acceptable and approves the water rates effective for March 1, 2018 and December 1, 2018. 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 will vary the quarterly service charge correcting the addition error in the table provided by the Municipality to be as follows:

Office Cost Allocation to Yellowhead Utility Operating			
	Monthly	\$	Utility's Share of Common Costs
CAO	1/2 day	\$ 183.00	\$ 2,196.00
Receptionist	1 day	\$ 130.00	\$ 1,560.00
Utility Clerk	3 days	\$ 470.00	\$ 5,640.00
			\$ 9,396.00
Add 2% 2017 estimated costs			\$ 188.00
2017 estimated Administration and Office Costs			\$ 9,584.00

	Forecast		
	2017	2018	2019
General			
<i>Expenses</i>			
Administration	\$ 9,584.00	\$ 9,775.68	\$ 9,971.19
Billing & Collection	\$ 1,400.00	\$ 1,400.00	\$ 1,400.00
Total general expenses	\$ 10,984.00	\$ 11,175.68	\$ 11,371.19
<i>Revenue</i>			
Penalties	\$ 400.00	\$ 400.00	\$ 400.00
Total general revenues	\$ 400.00	\$ 400.00	\$ 400.00
Net Costs General	\$ 10,584.00	\$ 10,775.68	\$ 10,971.19
Divided by 177 customers	\$ 59.80	\$ 60.88	\$ 61.98
Divided by 4 quarters	\$ 14.95	\$ 15.22	\$ 15.50

The Board approves the Cost Allocation Methodology, and reminds the Municipality 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.

The Board is sensitive to customer reaction to the magnitude of the rate increases, however, must consider the sustainability of the Utility when approving rates. In the case of the Yellowhead Regional Utility Line, it has been 10 years since a rate change has taken place. Consumers are generally more tolerant of regular, smaller increase. The Municipality needs to be more diligent in conducting regular reviews of its revenue requirements.

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 water rates for the Municipality of Westlake-Gladstone – Yellowhead Regional Utility Line BE AND ARE HEREBY APPROVED in accordance with the attached Schedule “A”, effective March 1, 2018 and December 1, 2018.
2. The Municipality of Westlake-Gladstone amend its water rate By-law for the Yellowhead Regional Utility Line 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 Westlake-Gladstone BE AND IS HEREBY APPROVED.
4. The Municipality of Westlake-Gladstone is to provide a notice to its customers, including the decisions found in this Order.
5. The Municipality of Westlake-Gladstone review its water 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, 2020.

Fees payable upon this Order - \$500.00.

THE PUBLIC UTILITIES BOARD

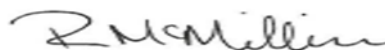
"Carol Hainsworth"

Panel Chair

"Rachel McMillin, B.Sc."

Acting Secretary

Certified a true copy of Order No. 31/18 issued
by The Public Utilities Board



Acting Secretary

Municipality of Westlake-Gladstone
Yellowhead Regional Utility Line
By-law No. 2016-08

SCHEDULE "A"

**SCHEDULE OF QUARTERLY
RATES**

March 1, 2018

1. per C.M.
Water

\$2.51

2. Minimum Charges per Quarter

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

(a) Water Customers

Meter Size	Water Included C.M.	Quarterly Service Charge	Water Commodity Charge	Quarterly Minimum Charge
5/8"	14	15.22	35.14	\$50.36
3/4"	28	15.22	70.28	\$85.50
1"	56	15.22	140.56	\$155.78
1 1/2"	140	15.22	351.40	\$366.62
2"	350	15.22	878.50	\$893.72

(b) Bulk Water Sales

All water sold in bulk will be charged at the rate of \$2.75 per cubic meter.

SCHEDULE OF QUARTERLY RATES

December 1, 2018

1. per C.M.
Water
\$2.69

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

(a) Water Customers

Meter Size	Water Included C.M.	Quarterly Service Charge	Water Commodity Charge	Quarterly Minimum Charge
5/8"	14	15.50	37.66	\$53.16
3/4"	28	15.50	75.32	\$90.82
1"	56	15.50	150.64	\$166.14
1 1/2"	140	15.50	376.60	\$392.10
2"	350	15.50	941.50	\$957.00

(b) Bulk Water Sales

All water sold in bulk will be charged at the rate of \$3.00 per cubic meter.

The following clauses take effect March 1, 2018:

3. Billing and Penalties:

Accounts shall be billed quarterly, and shall be due and payable 14 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.

4. Outstanding Bills:

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

5. Disconnection:

The Public Utilities Board has approved the Conditions Precedent to be followed by the Yellowhead Regional 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.

6. Reconnection:

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

7. Other Fees

- a. Fees for Reconnection are \$50.00.
- b. Charges to remove meter at request of customer shall be \$100.00 plus any charges incurred for the testing of said meter should the meter test to be faulty, this charge shall be waived.
- c. Where there is evidence of meter tampering, a minimum charge of \$500.00 will be applied to any account plus value of estimated unmetered water consumed.
- d. Cross connections are prohibited. According to the National Plumbing Code of Canada 1995 "No private water supply system shall be interconnected with a public water supply system".

8. Service to customers outside of municipality limits

The Council of the Municipality of Westlake Gladstone may sign agreements with customers for the provision of water services to properties located outside the legal boundaries of the municipality. 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 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 these boundaries. In addition, all costs of connecting to the utility's mains and installing and maintaining service connections will be paid by the customer.

9. Water Allowance Due To Line Freezing

Where, at the request of Council, a customer is allowed to run water 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 billings for the last two quarters for the same customer, or the same premises if the occupant has changed.