

**Order No. 11/24**

**RURAL MUNICIPALITY OF LAC DU BONNET  
LAC DU BONNET RURAL WATER AND WASTEWATER UTILITY  
REVISED WATER AND WASTEWATER RATES  
EFFECTIVE JANUARY 1, 2024  
AND RECOVERY OF  
2018, 2019, 2020 and 2022 ACTUAL OPERATING DEFICITS**

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**JANUARY 17, 2024**

**BEFORE: Shawn McCutcheon, Panel Chair  
Marilyn Kapitany, B.Sc. (Hon), M. Sc., Panel Chair**

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## 1.0 Executive Summary

By this Order, the Public Utilities Board (Board) approves the revised water rates for the Rural Municipality of Lac du Bonnet (RM), Lac du Bonnet Rural Water and Wastewater Utility (Utility), effective January 1, 2024.

The approved rates are as follows:

	<b>Current Rates</b>	<b>January 1, 2024</b>
Quarterly Service Charge	\$31.52	\$51.96
Water (per cubic meter)	\$4.29	\$6.25
Wastewater (per cubic meter)	\$2.13	\$1.83
Minimum Quarterly Charge*	\$121.40	\$165.08
Tanco Wastewater Annual Charge**	\$483.08***	\$564.36**

\*Based on 14 cubic meters

\*\*Based on 5,600 (variable) cubic meters ÷ 20 customers ÷ 4 quarters = 70 cubic meters x wastewater rate per cubic meter + customer service charge.

\*\*\*Current rates based on 4,240 (fixed) ÷ 20 customers ÷ 4 quarters = 53 cubic meters x wastewater rate x 4 + service charge.

Note - The billing volume assigned to each Tanco Crescent customer will be calculated/varied annually based on the prior year's actual volume of water pumped from the raw water well, divided by the number of Tanco Crescent customers.

-Annual charge above represent an example of annual charges if the forecasted, actual volume of 5,600 (water pumped) were to continue.

The Board also approves the RM's request for recovery of a 2018 actual operating deficit of \$6,555, a 2019 actual operating deficit of \$1,170, a 2020 actual operating deficit of \$1,326, and a 2022 actual operating deficit of \$1,085 (or a total four-year deficit of \$10,136), when calculated for regulatory purposes, incurred by the Utility, to be recovered by the Utility's Accumulated Fund Surplus.

Details of other rates may be found in the attached Schedule A.

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

## 2.0 Background

The Municipality owns and operates the Utility serving 20 wastewater only customers. Rates were last approved for the Utility in 2018 in Board Order No. 164/18, with the last increase occurring January 1, 2021. The Utility previously had one water customer, the Glen Howard Inn, that closed in the second quarter of 2021.

### Water Supply/Distribution

The RM receives its water from the Town of Lac du Bonnet (Town). The Glen Howard Inn is now closed and there are currently no water customers of the Town remaining in the RM. Water rates are included in this order in the event the Glen Howard Inn re-opens or RM residents need to connect to the Town of Lac du Bonnet water system. Tanco customers receive water from a private water co-op, the rates for which are not regulated by the Board.

### Wastewater Collection/Treatment

Wastewater services are provided by the Town. The Town's wastewater system consists of a collection system and a single cell lagoon, owned and operated by the Town. The Town's wastewater collection system collects wastewater effluent from 20 residences on Tanco Crescent within the RM boundaries. While no formal agreement exists with the Town, the RM maintains the lines, pumps, and buildings related to the water and wastewater system within the RM boundaries.

### Unaccounted for Water

The acceptable percentage of unaccounted for water is 10%, based on industry standards. If the percentage is above this amount, the applicant is to explain why and provide a plan to remedy.

The Glen Howard Inn was the only water customer and water billings were based on readings from that water meter. There is no accounted for water as the Glen Howard Inn is now closed.

### 3.0 Application

On February 24, 2023, the RM applied for revised water and wastewater rates for the Utility. The RM also applied for the recovery of a 2018 actual operating deficit of \$6,555, a 2019 actual operating deficit of \$1,170, and a 2020 actual operating deficit of \$1,326 (or a total three-year deficit of \$9,051), when calculated for regulatory purposes, incurred by the Utility, to be recovered by the Utility's Accumulated Fund Surplus. The applications were accompanied by a rate study prepared by the RM's consultant and By-Law No. 02-23 read for the first time on January 10, 2023 and Council Resolution No. 2023 0024.

A Public Notice of Application was issued on March 20, 2023 allowing for any questions or comments with respect to the proposed rate increases to the Board and/or the Municipality on or before May 5, 2023. There were 14 responses received to the Notice concerning the magnitude of the requested rate increase and poor utility service.

On December 12, 2023, the RM's consultant submitted a revised Deficit Application requesting recovery of a 2018 actual operating deficit of \$6,555, a 2019 actual operating deficit of \$1,170, a 2020 actual operating deficit of \$1,326, and a 2022 actual operating deficit of \$1,085 (or a total four-year deficit of \$10,136), when calculated for regulatory purposes, incurred by the Utility, to be recovered by the Utility's Accumulated Fund Surplus. The RM's consultant also advised the Board the RM would be seeking approval of an annual transfer of \$2,721 per year from the RM's General Fund to provide for the Utility's annual water amortization expense until the Utility's only water customer resumes operations, revised rate requirements and calculations, and a draft of the draft second reading of the proposed By-Law.

On January 11, 2024, the RM filed revised rate requirements and calculations, second reading of the proposed By-Law dated January 9, 2024, and Council Resolution No. 2024 0028 with the Board. The RM also filed Council Resolution No. 2024 0016 in support of the RM's revised Deficit Application and Council Resolution No. 2024 0017, requesting an annual transfer of \$2,721 per year from the RM's General Fund to provide funding relief for wastewater only customers until the Utility's only water customer resumes operations.

When reviewing an application the Board can either: hold a public hearing at which the applicant can present its case and customers can present their concerns; or where it is deemed to be in the best interests of a utility and its customers, the Board can review the application using a paper review process without holding a public hearing. The paper review process considers all written materials submitted by the Utility and the public, as well as any information requests and responses between the Board and the Utility. This process may reduce regulatory costs to the Utility.

A public hearing process allows the Utility and the public the opportunity to review the application and address any concerns with the Board present.

Whenever reasonable, the Board will review the application using a paper review process, which saves the cost of a public hearing process. The Board has chosen a paper review process for the RM's application.

The rates were calculated based on the following projections using an annual inflation rate of 3% in all calculations:

<b>Schedule of Utility Rate Requirements</b>				
<b>Rural Municipality of Lac du Bonnet – Rural Water and Wastewater Utility</b>				
<b>2024 to 2027 Budget Forecasts (\$)</b>				
	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
	<b>Forecast</b>			
<b>General Expenses</b>				
Quarterly Billing Customer Service Charge from Town	436	436	436	436
Administration	500	500	500	500
Total General Expenses	936	936	936	936
<b>Net Costs General</b>	<b>936</b>	<b>936</b>	<b>936</b>	<b>936</b>
<b>Water Expenses</b>				
Amortization	2,721	2,721	2,721	2,721
Water Purchases*	2,280	2,280	2,280	2,280
Contingency	-	-	-	-
Total Water Expenses	5,001	5,001	5,001	5,001

<b>Net Costs Water</b>	<b>5,001</b>	<b>5,001</b>	<b>5,001</b>	<b>5,001</b>
<b>Wastewater Expenses</b>				
Collection System	1,030	1,061	1,093	1,126
Treatment and Disposal	7,280	7,280	7,280	7,280
Amortization	987	987	987	987
Contingency	841	841	841	841
Reserves	2,576	2,576	2,576	2,576
Total Wastewater Expenses	<b>12,714</b>	<b>12,745</b>	<b>12,777</b>	<b>12,810</b>
<b>Net Costs Wastewater</b>	<b>12,714</b>	<b>12,745</b>	<b>12,777</b>	<b>12,810</b>
<b>Net Operating Costs</b>	<b>18,651</b>	<b>18,682</b>	<b>18,714</b>	<b>18,747</b>

\*Note – Water purchases are only made when the Utility's only water customer, the Glen Howard Inn, is operating.

The proposed Utility rate increases are primarily due the inclusion of a new allocation for wastewater reserve funds.

### Contingency Allowance and Utility Reserves

As per the Board's Water and Wastewater Rate Application Guidelines, a yearly allowance equal to 10% of the variable operating costs is recommended for a contingency allowance.

The RM has included an annual contingency allowance of \$841 per year for wastewater.

The RM has included an annual reserve allowance of \$2,576 per year to establish a reserve fund.

### 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/deficit is defined as the Utility fund balance, excluding any capital related items plus Utility reserves.

As per the 2022 Audited Financial Statements, the most recent information available, the working capital deficit for the Utility at December 31, 2022 was:

	2022
Utility Fund Surplus/Deficit	\$162,928
Deduct: Tangible Capital Assets	(134,565)
Add: Long-Term Debt	-
Add: Utility Reserve	
<b>Equals Working Capital Surplus (Deficit)</b>	<b>\$39,110</b>
Operating Expenses	10,747
<b>20% of Operating Expenses (Target)</b>	<b>\$2,149</b>

The Utility meets the Board minimum working capital surplus of 20%.

### Cost Allocation Methodology

The Board requires all municipal governments to review the costs shared between its general operations and the Utility, and to allocate appropriate and reasonable costs to the Utility, based on a policy known as a Cost Allocation Methodology. This allocation 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’s allocation plan for shared costs is as follows:

<b>Rural Municipality of Lac du Bonnet Rural Water and Wastewater Utility Allocation Plan for Non-Direct Shared Services (see Note 1) as at November 2022</b>			
Category	Sub-category	Options	
1.0 Administrative Staff			\$500.00 flat fee
	1.1 Billing services – meter reading to receipting and collection.		Utility maintenance and reading is done primarily by the Town
	1.2 Accounting/ auditing/ including bylaw making and enforcement.		-
	1.3 Common office space		-
	1.4 Office overheads (telephone, photocopier, computer, etc.)		-
2.0 Operating, construction and maintenance costs			

	2.1 Vehicle – fuel, maintenance, lease costs, capital costs		N/A
	2.2 Labor – full time, part time, on call, sick time, vacation (see Note 2)		Done by the Town of Lac du Bonnet
	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 (see Note 3)		Based on actual costs
3.0 Major projects			
	Interest/ financing		-
	Labor		-
	External costs		-

Note 1 – Allocation must be updated periodically to reflect 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 (i.e. If reconstructing a road and replacing services at the same time, a portion of the roadwork costs may be allocated to the Utility.)

## Deficits

By law, Manitoba utilities are not allowed to incur deficits. In the event a deficit does occur, the Utility is required by *The Municipal Act* to obtain Board approval for both the deficit and recovery methodology as soon as it is known.

The RM applied for the recovery of a 2018 actual operating deficit of \$6,555, a 2019 actual operating deficit of \$1,170, a 2020 actual operating deficit of \$1,326, and a 2022 actual operating deficit of \$1,085 (or a total four-year deficit of \$10,136), when calculated for regulatory purposes, incurred by the Utility, to be recovered by the Utility's Accumulated Fund Surplus. The Deficit Application notes the deficits were due to insufficient rates.

## 4.0 Board Findings

The Board has reviewed the application and the projections presented by the RM in its rate application and notes the calculations used to formulate the Utility's rates are not consistent with Public Utilities Board Guidelines, but instead have been revised to keep rates consistent for ratepayers.

The RM is requesting approval to provide an annual transfer of \$2,721 from the RM's General Fund to the Utility. The RM advises the transfer is to provide for the annual water amortization expense while there are no water customers (i.e. until the Glen Howard Inn resumes operations).

In general, the Board does not allow general operating funds to subsidize a Utility's operating costs. The Board finds, however, in this instance wastewater only customers should not be required to provide for the costs of water utility expenses and approves the transfer of \$2,721. The temporary funding transfer also reduces wastewater rates and addresses customers' concerns regarding the magnitude of the initial rate request by the RM. The Board directs the RM to cease the transfer from the RM's General Fund as soon as the Glen Howard Inn resumes operations or there are water customers to provide for utility water expenses, and the RM prorate the amount transferred to the Utility for that year accordingly.

The Board approves the rates as applied for, effective January 1, 2024.

The Board requires the RM to review its water rates for the Utility for adequacy and file a report with the Board, as well as an application for revised rates (if required) on or before July 1, 2026.

### **Deficits**

The Board has also reviewed the RM's deficit application and approves the 2018 actual operating deficit of \$6,555, 2019 actual operating deficit of \$1,170, a 2020 actual operating deficit of \$1,326, and a 2022 actual operating deficit of \$1,085 (or a total four-year deficit of

\$10,136), when calculated for regulatory purposes, incurred by the Utility, to be recovered by the Utility's Accumulated Fund Surplus.

## **5.0 IT IS HEREBY ORDERED THAT:**

1. The revised water and wastewater rates for the Rural Municipality of Lac du Bonnet, Rural Water and Wastewater Utility, BE AND ARE HEREBY APPROVED in accordance with the attached Schedule A, effective January 1, 2024.
2. The Shared Cost Allocation Methodology for the Rural Municipality of Lac du Bonnet BE AND IS HEREBY APPROVED.
3. The Rural Municipality of Lac du Bonnet is to provide a notice of the decisions found in this Order to its customers as soon as possible, with a copy provided to the Public Utilities Board.
4. The Rural Municipality of Lac du Bonnet amend its water and wastewater 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 Lac du Bonnet review its water and wastewater rates for the Lac du Bonnet Rural Water and Wastewater Utility 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 July 1, 2026.
6. The actual operating deficit, when calculated for regulatory purposes, in the amount of \$6,555 for 2018, \$1,170 for 2019, \$1,326 for 2020, and \$1,085 for 2022 (or a total four-year deficit of \$10,136) incurred by the Rural Municipality of Lac du Bonnet, Lac du Bonnet Rural Water and Wastewater Utility, is HEREBY APPROVED to be recovered by the Utility's Accumulated Fund Surplus.

7. The Rural Municipality of Lac du Bonnet cease the transfer from the General Fund to the Lac du Bonnet Rural Water and Wastewater Utility as soon as the Glen Howard Inn resumes operations or there are water customers to provide for utility water expenses, and the Rural Municipality of Lac du Bonnet prorate the amount transferred to the Utility for that year accordingly.

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).

Fees payable upon this Order - \$500.00

THE PUBLIC UTILITIES BOARD

"Shawn McCutcheon"  
Panel Chair

"Frederick Mykytyshyn"  
Assistant Associate Secretary

Certified a true copy of Order No. 11/24  
Issued by The Public Utilities Board

  
Assistant Associate Secretary

**SCHEDULE A  
RURAL MUNICIPALITY OF LAC DU BONNET  
LAC DU BONNET RURAL WATER AND WASTEWATER UTILITY  
WATER AND WASTEWATER UTILITY RATES BY-LAW NO. 02-23  
SCHEDULE OF QUARTERLY RATES**

**1. Schedule of Commodity Rates  
& Quarterly Service Charge**

**January 1, 2024**

Rates per cubic meter

Cubic Meters per quarter

	Water	Wastewater	Water & Wastewater
	\$6.25	\$1.83	\$8.08

Customer Service Charge     \$51.96

**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.

a. Water & Wastewater Customers

	Group Capacity	Water Included Cubic Meters	Customer Service Charge	Water Commodity Charge	Wastewater Commodity Charge	Total Quarterly Minimum
5/8 inch	1	14	\$51.96	\$87.50	\$25.62	\$165.08
3/4 inch	2	28	\$51.96	\$175.00	\$51.24	\$278.20
1 inch	4	56	\$51.96	\$350.00	\$102.48	\$504.44
1 1/2 inch	10	140	\$51.96	\$875.00	\$256.20	\$1,183.16

b. Water Only Customers

Total quarterly minimum charges will be the same for each meter size as shown above, but the Wastewater Commodity Charge will be excluded.

**c. Wastewater Only Customers (unmetered Tanco Crescent)**

Wastewater only utility customers on Tanco Crescent will be billed annually. The annual wastewater volume billed to the Rural Municipality of Lac du Bonnet Utility as charged by the Town of Lac du Bonnet for Tanco Crescent customers will be divided by the number of customers on Tanco Crescent with any new customers being prorated to the nearest month. The volume assigned to each customer will then be multiplied by the wastewater rate and a customer service charge will be added. For example; Town of Lac du Bonnet annual billing for wastewater services for Tanco Crescent for 5,600 CM ÷ 20 customers x \$1.83/CM + \$51.96 = \$564.36.

**The following clauses take effect January 1, 2024:**

1. Water and Wastewater Connections
  - a. Each customer or developer, as the case may be, applying for a new water connection to the mainline shall be assessed a water connection inspection fee in the amount of \$750.00. The assessed amount shall be paid as a lump sum fee.
  - b. Each customer or developer, as the case may be, applying for a new Wastewater connection to the mainline shall be assessed a Wastewater connection inspection fee in the amount of \$350.00. The assessed amount shall be paid as a lump sum fee.
  - c. Each customer or developer, as the case may be, installing a new water service connection to the water mainline shall be responsible for installing and connecting the water service line to the water main and to pay all charges. Conditions on Town property to be returned to its original state as before water line installations.
  - d. Each customer or developer, as the case may be, installing a new Wastewater service connection to the Wastewater mainline shall be responsible for installing and connecting the Wastewater service line to the Wastewater main and to pay all charges. Conditions on Town property to be returned to its original state as before water line installations.
  - e. Each consumer applying for water turn on or turn off of service during any quarter, shall pay the proportionate part of the current minimum quarterly charge provided that in computing same, a broken half month shall be considered as a full month. In all cases any excess water used will be charged at the rates set forth under Commodity Rates.
  - f. All costs for new connections and maintenance thereafter shall be paid by the users, customer or developer, as the case may be, and such connections are to be approved by the Council of the Town of Lac du Bonnet.

- g. A service charge of Twenty-Five Dollars (\$25.00) shall be paid before any water is turned on and shall be the responsibility of the owner.

2. Hydrant Charges

The RM of Lac du Bonnet, or any other hydrant owner, will pay to the Utility an annual fee of \$100.00 for each hydrant connected to the system which shall include the cost of water used for firefighting.

3. Service To Customers Located Outside the Limits of the Town of Lac du Bonnet

- a. Customers located outside the Town of Lac du Bonnet shall be required to sign agreements with the Town which sets out the rights and obligations of each party. Such agreements shall include that the consumer shall pay:
  - i. An appropriate rate as set out in paragraph 1 and 2 hereof, based on the units allotted to the services;
  - ii. All costs of constructing and maintaining all connection pipes and other items required to allow service to be used;
  - iii. A surcharge to cover all tax amounts for utility purposes, which they would be required to pay if located in the Town from the date of construction.
- b. The Rural Municipality of Lac du Bonnet shall pay, to the Town of Lac du Bonnet to cover services provided to residences in the Tanco Crescent Subdivision.
  - i. The Utility rates set forth in paragraph 1 and 2 hereof;
  - ii. Any additional surcharge sufficient to cover all taxes for the sewage lagoon which it would be required to pay if such residences were located in the Town.
- c. The above levies are due and payable July 1<sup>st</sup> of the year in which they are levies.

4. Billings And Penalties

Accounts shall be billed quarterly and the due date shall be at least 14 days after the mailing of the bills.

A late payment charge of 1.25% per month shall be charged on the dollar amount owing after the billing due date.

5. 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 office.

6. Reconnection

Any service disconnected, whether due to non-payment of account or for any other reason(s) mutually agreed to by the customer and the Municipality (i.e. repairs necessitated by negligence of the customer, changes in tenant, vacancy for an extended period of time, etc.) shall not be reconnected until a reconnection fee of \$50.00 and all arrears and penalties, if any, have been paid.

7. Outstanding Bills

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

8. 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 \$100.00. 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. 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.

9. 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.

10. Wastewater Surcharges

a) There may be levied annually, in addition to the rates set forth above, a special surcharge on sewage having a Biochemical Oxygen Demand in excess of 300 parts per million, to be set by Resolution of Council.

b) A special surcharge for substances requiring special treatment shall be charged based on the actual costs of treatment required for the particular sewage or industrial waste.

11. Water Allowance Due To Line Freezing

That in any case where, at the request of the 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 the 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.