

M A N I T O B A) Order No. 156/12
THE PUBLIC UTILITIES BOARD ACT) November 30, 2012

BEFORE: Susan Proven, P.H.Ec. Acting Chair
Marilyn Kapitany, B.Sc. (Hons.), M.Sc., Member

**TOWN OF NIVERVILLE
SEWER UTILITY
SEWER RATES 2013, 2014 AND 2015
ACTUAL DEFICITS 2009, 2010 AND 2011**

Summary

The Public Utilities Board (Board) hereby approves revised sewer rates for 2013, 2014 and 2015 for the Town of Niverville Sewer Utility (Utility) in the Town of Niverville (Town). The Board also approves deficits for 2009, 2010 and 2011 to be recovered through a transfer from the General Operating Surplus and the Utility accumulated surplus account as set out in the Town's Resolution No 250-12.

The rates are effective the 1st of January 2013, 2014 and 2015.

The current rates as established under Order 105/89 and approved sewer rates are noted below:

<u>Quarterly</u>	<u>Current</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Customer Service Charge	\$2.90	\$3.80	\$3.90	\$4.05
Unmetered Services Flat Rate per REU	\$12.50	\$56.00	\$57.05	\$58.15

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

Introduction

The Town submitted an application on August 7, 2012 for revised sewer rates for the Niverville Sewer Utility to be effective for the 1st of January 2013, 2014 and 2015. Existing rates were established in 1989.

A Public Notice of Application was issued on August 10, 2012 affording customers the opportunity to comment to both the Board

and the Utility with respect to the proposed increases.

The Board has at its disposal two alternative processes to deal with rate applications. It may determine that an oral hearing is warranted or that a paper review process is sufficient.

The Board and Town received no responses from stakeholders, indicating that ratepayers understand, given the length of time since the last increase in rates, the proposed rates are reasonable. The Board concluded that a paper review process, saving the Utility the cost of a public hearing, was in the best interest of all concerned.

Background

The Utility currently services approximately 1,328 customers, and the Town has advised that the Utility invoices approximately 1,627 Residential Equivalency Units (REUs), one REU being the volume of water estimated to be used by the average single family residence. Units allocated to other customers are based on estimated water they will use, as compared with a residence.

All Utility customers are either on private wells or serviced by one of the two water utilities located in the Town. The system consists mainly of a gravity flow system, with a small part being low-pressure. Customers on the low-pressure system are required to arrange pump outs of their holding tanks with permission to dump in the lagoon; they pay the haulers directly and also pay the Town the full annual sewer charge. There are four lift stations; "Primary lift station" has been fully upgraded recently, "Fifth Ave Estates lift station" is in good

condition, "Hespeler Park lift station" requires upgrading to stainless steel components and "Arena Road lift station" requires upgrades which are planned to be included with installation of a new force main to serve a new development. These costs are expected to be recovered from the developer.

A new lagoon was completed in 2006, and the original lagoon was abandoned and is in the final stages of being decommissioned. The new lagoon has a capacity to serve a population of 5,000 (census 2010 shows the Town population is approaching this number) and the Town has advised that they may need to add aeration to the primary cell in the next five years.

The Town has indicated that the operator is duly certified.

Application

The application submitted was August 7, 2012, along with By-law No. 711-12 read for the first time July 17, 2012. The accompanying rate study was prepared by a consultant.

The deficit applications for 2009, 2010 and 2011 were received September 4, 2012.

The rate application was based on the following projected annual expenses:

General Expenses:					
Administration (building, office, staff, etc.)	17,624	20,500	20,910	21,537	22,183
General Revenue:					
Other	6,063	700	714	715	715
Net revenue general	11,561	19,800	20,196	20,822	21,468
Equity surcharge (1% of annual expenses)			4,433	4,509	4,585
Sewage Collection System	66,336	62,940	64,830	66,775	68,778
Amortization/ depreciation	77,720	77,720	216,228	216,228	216,228
Interest on long term debt	526				
Future Remediation			25,000	25,000	25,000
Minor capital upgrades			96,342	96,342	96,342
Contingency			20,000	25,000	30,000
Total sewer expenses	144,582	140,660	422,400	429,345	436,348
Sewer Revenue					
Amortization of Capital Grants	18,165	18,165	20,847	20,847	20,847
Taxation revenues	6,995	-	41,700	41,700	41,700
Other Revenue					
Total non-rate revenue- sewer	25,160	18,165	62,547	62,547	62,547
Net rate revenue requirement - sewer	119,422	122,495	359,853	366,798	373,801

The Town's application included a cost allocation policy attributing 4% of staff costs, including benefits, office space costs, utility costs and equipment costs to the Utility. These costs have been included in the projected expenses.

Public Response

The Board and Town received no responses from stakeholders, indicating that ratepayers understand, given the length of time since the last increase in rates, the proposed rates are reasonable.

Board Findings

The Board will approve the application made by the Town and will approve the 2009, 2010 and 2011 deficit applications.

The Board is sensitive to the customer reaction to the magnitude of the rate increases. The increases herein approved can be considered to be rate shock, something that is common where rate requirements are not addressed for significant periods of time. In this case, it has been 13 years since a rate change has taken place. Consumers are generally more tolerant of regular, smaller increases. The Town needs to be more diligent in conducting regular reviews of its revenue requirements.

In the meantime, by law, Manitoba utilities are not allowed to incur deficits. In the event that a deficit does occur, the Utility is required to obtain Board approval for a recovery methodology.

The Board is therefore duty bound to approve reasonable rates based on reasonable expense projections. The Board has reviewed the Town's forecasts and finds them to be reasonable.

During the review of the application, the Town applied for approval of operating deficits incurred in 2009 (\$40,674), 2010 (\$50,166) and 2011 (\$51,497), adjusted for the amortization of capital grants, as required for PUB purposes. In analyzing the Utility's financial statements, the Board concluded that, after a transfer from General Operating Surplus of \$60,738, there was sufficient working capital to absorb these deficits within the Utility's fund surplus. The Board generally favours a user-pay

system, but acknowledges that the Utility has previously collected revenues exclusively through property tax bills and that all taxpayers are also customers of the Utility.

The Board will herein approve the deficits incurred in all three years.

The Board will approve the shared cost allocation methodology proposed and reminds the Town that this methodology must be used consistently in the future and requires Board approval should any changes be considered.

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.

IT IS THEREFORE ORDERED THAT:

1. The sewer rates for the Niverville Sewer Utility within the Town of Niverville, as set out in Schedule "A" to this Order, BE AND ARE HEREBY APPROVED effective, January 1, 2013.
2. The Town of Niverville submit a copy of By-law No. 711-12 to the Board once it has received third and final reading.
3. The 2009, 2010 and 2011 deficits BE AND ARE HEREBY APPROVED to be recovered by a transfer of \$60,738 from the General Operating Surplus, with the balance of \$81,599 absorbed within the Niverville Sewer Utility's Fund Surplus.

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Fees payable upon this Order \$500.00.

THE PUBLIC UTILITIES BOARD

"SUSAN PROVEN, P.H.Ec."
Acting Chair

"JENNIFER DUBOIS, CMA"
Acting Secretary

Certified a true copy of Order No.
156/12 issued by The Public
Utilities Board

Acting Secretary

SCHEDULE "A"
TO BOARD ORDER 156/12
TOWN OF NIVERVILLE
BY-LAW NO. 711-12

SEWER RATES FOR THE TOWN OF NIVERVILLE

Effective January 1st, 2013 or upon approval by Public Utilities Board

1. Assignment of Residential Equivalent units (REU)

A residential equivalent Unit (REU) is the volume of sewage estimated to be emitted by an average single family residence. Units allocated to other customers are based on the estimated sewage the will emit compared to a residence. A residential unit is defined as a single family dwelling which includes the following: mobile home, single commercial business which includes offices, groceries, hardware, banks, credit unions, and garages without wash bays, halls with seating capacity of less than 230 seats, churches and drop-in centres. Apartments will be rated at one equivalent unit for each suite. Buildings with more than one sewer hook-up will be allocated a minimum of 1 unit per hook-up, additional units may be assigned dependant on the type of occupancy.

Description	REU for Sewer Connection/Annual Service Charge	REU for Operations & Maintenance
Residential Unit	1.0	1.0
Duplexes/Multi-plexes		
1 shared Sewer connection	.5 per unit	1 unit per residence
separate sewer connections	1.0	1 unit per residence
Apartment Blocks	1 Unit per hook-up	1 unit per suite
Apartment Blocks Converted to Condominiums	# sewer connections divided by number of units	1 unit per suite
Personal Care Homes		
Single units	1 Unit per hook-up	0.5
Double units		1.0
Office Type Business Buildings/Strip Malls	1 Unit per hook-up	1 unit per suite
Cafes, Bistros or Restaurants	1 Unit per hook-up	1 unit per 20 seats or fraction thereof
Halls/Banquet Facilities	1 Unit per hook-up	1 unit per 230 seats or fraction thereof
Car Wash	1 Unit per hook-up	1.5 units per wash bay
Elementary School	1 Unit per hook-up	.9 units per classroom
Secondary School	1 Unit per hook-up	1.2 units per classroom
Low Pressure System Customers		
Residential	1.0	1.0
Businesses	1 Unit per hook-up	1 unit per separate business unit or as per above by type of business

Note: More than one business sharing one office or business unit is considered one unit for this purpose. One office or business unit is defined as a unit with a separate entrance from other units.

2. **Quarterly Charges:**

Notwithstanding the REU schedule set forth in Section 1 above, all customers connected to or tipping to shall pay the applicable charge set out below:

<u>Year</u>	<u>Operations & Maintenance</u>	<u>Service Charge</u>	<u>Total Quarterly Billing</u>
2013	\$ 56.00	\$ 3.80	\$ 59.80
2014	\$ 57.05	\$ 3.90	\$ 60.95
2015	\$ 58.15	\$ 4.05	\$ 62.20

3. **Surcharges for Services Beyond the Town Boundaries:**

There are no customers served who are located outside the Town boundaries.

4. **Billings and Penalties for Non-payment of Account:**

All connected customers shall be billed quarterly and payment shall be due and payable within 21 days after the mailing of the bills. A late payment charge of 1.25% (1¼%) per month shall be charged on the dollar amount owing after the billing due date and a notice to this effect shall be clearly printed on the bills sent to the customers.

5. **Disconnection of Service:**

The Public Utilities Board has approved the Conditions Precedent to be followed by the municipality 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 Municipality's office.

6. **Reconnection of Service:**

Any service disconnected, whether due to non-payment of account or for any other reason(s) mutually agreed to by the customer and the Town (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 all costs of disconnection and reconnection have been paid. Actual costs may vary depending upon the circumstances.

7. **Liability for Charges:**

Where charges and penalties pursuant to this by-law are not paid within sixty (60) days from the date when they were incurred said charges and penalties shall be added to the taxes on the property and collected in the same manner as other taxes as per authority of Section 252(2) of The Municipal Act of Manitoba.