

MANITOBA) Order No. 99/12
)
THE PUBLIC UTILITIES BOARD ACT) August 7, 2012

BEFORE: Susan Proven, P.H.Ec, Acting Chair
Raymond Lafond, CA, Member

RURAL MUNICIPALITY OF DE SALABERRY
OTTERBURNE SEWAGE COLLECTION SYSTEM
SEWER RATES 2012, 2013 and 2014

Summary

The Public Utilities Board (Board) hereby varies the application made by the Rural Municipality of De Salaberry (RM) and approves revised sewer rates for 2012, 2013 and 2014 for the Otterburne Sewage Collection System.

The 2012 rates are to be effective July 1, 2012; the 2013 and 2014 rates will be effective on January 1 of those years.

The current and revised commodity rates are noted below:

Approved Rates		Current	2012	Increase	2013	Increase	2014	Increase
Customer service charge		\$10.00	\$36.96	270%	\$37.94	3%	\$39.00	3%
Charge per REU		\$52.00	\$234.34	351%	\$238.69	2%	\$243.21	2%
ANNUAL CHARGES	REU's*							
Single dwelling	1	\$62.00	\$271.30	338%	\$276.63	2%	\$282.21	2%
Providence 23 room College Dorm	14	\$868.00	\$3,317.72	282%	\$3,379.60	2%	\$3,443.94	2%
Providence 6-suite College Dorm	6	\$322.00	\$1,443.00	348%	\$1,470.08	2%	\$1,498.26	2%
Water bottling plant**	2	\$62.00	\$505.64	716%	\$515.32	2%	\$525.42	2%
Feed Mill	9	\$530.00	\$2,146.02	305%	\$2,186.15	2%	\$2,227.89	2%
Post Office	1	\$62.00	\$271.30	338%	\$276.63	2%	\$282.21	2%
Curling Club	1	\$62.00	\$271.30	338%	\$276.63	2%	\$282.21	2%

*Residential Equivalent Unit

** Currently assigned 1 REU

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

Introduction

The RM applied on October 14, 2011 for revised rates to be effective on January 1 of each of 2012, 2013 and 2014. The last rate study was completed in 1996.

A Public Notice of application was issued in February 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. Based on customer response to the Public Notice, the Board concluded that a paper hearing was in the best interest of all concerned.

Background

The Otterburne Utility has 46 customers, including residential, commercial and multi-unit customers, each assigned residential equivalent units determined in accordance with Public Utility Board guidelines. All customers of the Utility use private wells for water supply.

The Otterburne lagoon began receiving wastewater in 1993, from the Community's wastewater collection system. The Community uses a low-pressure and gravity wastewater collection system.

According to the rate study, there are no future plans to expand the wastewater collection system except for a possible expansion to the lagoon to accommodate Providence College. Any future servicing requirements of Providence College, or potential

residential lots, is expected to be paid for by the developers. No allowance has been made in the Utility's rate application for the servicing of future properties. The existing system is deemed to be in good operating condition.

The RM is in general conformance with its environmental license.

The RM has two utility operators who meet certification requirements.

Application

The application for revised rates was submitted on October 14, 2011 supported by a rate study conducted by the RM's consultant, J. R. Cousin Consultants Ltd., and accompanied by By-law 2301-12 read for the first time on January 31, 2012.

While the rate study calculated the revenue requirements in accordance with recommended Board methodology, the RM proposed to phase in the increases in order to mitigate against rate shock.

It was recognized that the rates proposed for 2012 and 2013 would result in revenue deficits for each of those years. The RM recommended that these deficits be allowed and be covered by the Utility's Reserve Fund.

The new rates were proposed to be effective January 1 of each of 2012, 2013 and 2014. The RM proposed the following Utility Rates for the Community of Otterburne:

Proposed Rates		2012	2013	2014
Customer service charge		\$36.96	\$37.94	\$39.00
Charge per REU		\$116.41	\$180.82	\$245.22
ANNUAL CHARGES	REU's*			
Single dwelling	1	\$153.37	\$218.76	\$284.22
Providence 23 room College Dorm	14	\$1,666.70	\$2,569.42	\$3,472.08
Providence 6-suite College Dorm	6	\$735.42	\$1,122.86	\$1,510.32
Water bottling plant**	2	\$269.78	\$399.58	\$529.44
Feed Mill	9	\$1,084.65	\$1,665.32	\$2,245.98
Post Office	1	\$153.37	\$218.76	\$284.22
Curling Club	1	\$153.37	\$218.76	\$284.22

*Residential equivalent unit

** Currently assigned 1 REU

The rates were based on the following projected expenses:

	2011	2012	2013
Administration	1,500.00	1,545.00	1,591.35
Equity surcharge	199.08	199.08	202.26
Net revenue general	1,699.08	1,744.08	1,793.61
Sewer			
<i>Expenses:</i>			
Staffing	6,075.00	6,257.25	6,444.97
Sewage Collection System	3,000.00	3,090.00	3,182.70
Amortization/ depreciation	5,333.00	5,333.00	5,333.00
Reserves	2,000.00	2,000.00	2,000.00
Contingency	2,000.00	2,000.00	2,000.00
Total sewer expenses	18,408.00	18,680.25	18,960.67
Less: Connection Revenue	1,000.00	1,000.00	1,000.00
Net rate revenue - sewer	17,408.00	17,680.25	17,960.67

The RM acknowledged that due to the timing of the submission, the expenditure projections were one year out of sync with the rate proposals, i.e., the 2012 rates were based on 2011 expenditures, 2013 rates on 2012 and 2014 rates on 2013. However, apparently because the expenditure levels did not significantly change from one year to the next, they were not revised for the proposal. Any resulting revenue deficiencies would be covered through the contingency provisions or reserve contributions.

An equity surcharge was included in the rate calculations due to the fact that the Utility's working capital position does not meet current Board requirements, being 20% of annual expenses.

Calculations for contingency and reserve provisions are both within Board guidelines.

The expenditure provisions include an allocation of operator wages which are charged to utility operations based on hours spent on utility work. 15% of these costs are attributed to the Otterburne Utility with the remaining 85% attributed to the St. Malo Water and Sewer Utility, also operated by the RM.

Customer Concerns

The Board received a letter of objection submitted by the Otterburne Ratepayers Association. It also received a total of five copies of the same letter stating that the rates are excessive and feel the increase is to accommodate the Providence College requirements.

Board Findings

The Board generally follows a practice of not approving retroactive rate increases and will therefore vary the application to approve the rate increase for 2012 effective July 1, rather than January 1 as requested. However, the Board has also amended the rate proposal.

The Board notes that the Reserve Fund balance as of December 31, 2010 was not sufficient to cover the deficits which would result from approval of the proposed rates. The Board also notes that the Utility incurred deficits in both 2009 and 2010. The deficit applications for these years have yet to be received by the Board. Since the rate submission included no provision for the recovery of these deficits through rates, the Board can only surmise that the Council will expect these deficits to be covered by available funds, therefore further depleting the reserves.

By law, utilities are not allowed to incur operating deficits. The Board must therefore ensure that approved rates are sufficient to cover reasonably projected expenses. The Board is therefore unable to accept the proposal to phase-in the rate increases.

In approving the rates for 2012, 2013 and 2014, the Board removed the Reserve provisions of \$2000 per year. Further, the Board has deferred the effective date of the 2012 increase from January 1 to July 1.

Both of these changes will mitigate, though admittedly to a small degree, the magnitude of the rate increases for the Utility customers.

The Board is sensitive to the fact that the percentage increases are large. Such large rate increases have not been unusual in recent years. The Board has received applications from many utilities, including Otterburne, which have not implemented rate increases to align with expenditure increases that have incurred over significant periods of time. Regular rate reviews and resulting rate changes would have reduced the rate shock.

The Board has also made some minor amendments to the clauses related to *Discontinuation and Disconnection of Service* and *Liability for Charges* to reflect Board policy.

Finally, the Board acknowledges the shared cost allocation methodology as reflected in the rate study. However, the Board is concerned that other administrative costs, other than operator costs, incurred by the RM should be allocated to Utility operations. The Board is a proponent of the user pay principle and believes that utilities should bear their appropriate share of expenditures. The Board will therefore direct that the RM reconsider its cost allocation methodology for future applications and submit this methodology, along with an appropriate Council Resolution, for Board approval before the end of this calendar year.

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 Otterburne Sewage Collection System in the Rural Municipality of De Salaberry, as set out in Schedule "A" to this order, BE AND ARE HEREBY APPROVED with revised rates for 2012 to be effective July 1 with rates for 2013 and 2014 to be effective January 1.
2. The Rural Municipality of De Salaberry amend the water and sewer rate By-law for the Otterburne Sewage Collection System to reflect the approvals contained herein and submit same to the Board once it has received third and final reading.
3. The Rural Municipality of De Salaberry conduct a review of its cost allocation methodology for shared services and equipment and submit a proposal, along with a Council Resolution, for approval on or before December 31, 2012.

SCHEDULE "A"

THE RURAL MUNICIPALITY OF DE SALABERRY
OTTERBURNE SEWAGE COLLECTION SYSTEM

1. Annual Commodity Rates

Effective July 1, 2012

Building	REU's*	Customer Service Charge	Sewer Charge	Total Yearly Charge
Single dwelling	1	\$36.96	\$234.34	\$271.30
Providence 23 room College Dorm	14	\$36.96	\$3,280.76	\$3,317.72
Providence 6-suite College Dorm	6	\$36.96	\$1,406.04	\$1,443.00
Water bottling plant	2	\$36.96	\$468.68	\$505.64
Feed Mill	9	\$36.96	\$2,109.06	\$2,146.02
Post Office	1	\$36.96	\$234.34	\$271.30
Curling Club	1	\$36.96	\$234.34	\$271.30

*Residential Equivalency Units

Effective January 1, 2013

Building	REU's*	Customer Service Charge	Sewer Charge	Total Yearly Charge
Single dwelling	1	\$37.94	\$238.69	\$276.63
Providence 23 room College Dorm	14	\$37.94	\$3,341.66	\$3,379.60
Providence 6-suite College Dorm	6	\$37.94	\$1,432.14	\$1,470.08
Water bottling plant*	2	\$37.94	\$477.38	\$515.32
Feed Mill	9	\$37.94	\$2,148.21	\$2,186.15
Post Office	1	\$37.94	\$238.69	\$276.63
Curling Club	1	\$37.94	\$238.69	\$276.63

*Residential Equivalency Units

Effective January 1, 2014

Building	REU's*	Customer Service Charge	Sewer Charge	Total Yearly Charge
Single dwelling	1	\$39.00	\$243.21	\$282.21
Providence 23 room College Dorm	14	\$39.00	\$3,404.94	\$3,443.94
Providence 6-suite College Dorm	6	\$39.00	\$1,459.26	\$1,498.26
Water bottling plant*	2	\$39.00	\$486.42	\$525.42
Feed Mill	9	\$39.00	\$2,188.89	\$2,227.89
Post Office	1	\$39.00	\$243.21	\$282.21
Curling Club	1	\$39.00	\$243.21	\$282.21

*Residential Equivalency Units

2. Billings and Penalties

All connected customers shall be billed yearly and payment shall be due and payable with the yearly taxes as per special service plan. A late payment charge of 1 ¼% shall be charged on the dollar amount owing after the billing due date and a notice to this effect shall be clearly printed on all bills sent to customers.

3. Discontinuation and Disconnection of Service

Services may be discontinued and disconnected without further notice if the account is not been paid within 30 days after the due date. Disconnection of service is to include the closing of the curb stop. A customer who has had his service line disconnected for any reasons shall not be reconnected until all regulations have been complied with and all arrears (including any penalties) and a reconnection fee of \$50 has been paid.

The Public Utilities Board has approved 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 Municipal Office.

4. Liability for Charges

Where, failing all collection efforts, charges and penalties pursuant to this By-law are not paid within 90 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

5. Service to Customers outside Municipality limits

The Council of the Rural Municipality of De Salaberry may sign agreements with customers for the provision of sewer services to properties located outside of the legal boundaries of the Community of Otterburne. Such agreements shall provide for payment of the appropriate rates set out in Sections 1 and 2 of this schedule (for each applicable year), as well as a surcharge set by resolution of Council, which shall be equivalent to the frontage levee, general taxes and special taxes for utility purposes in effect at the time, or may be in effect from time to time which would be levied on the property concerned if it were within these boundaries. In addition, all costs for connecting to the utility's mains and installing and maintaining service connections shall be paid by the customer.